

**Succession Planning**  
**for Small and Medium-Sized Family Advertising Agencies in**  
**Cyprus**

**by**

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Dedicated to the memory  
of my beloved mother  
Despina Papageorgiou-Flourentzou

## **ABSTRACT**

Leadership succession is not a single measure, but rather a complex process (Sharma et al., 2001) that is necessary to ensure continuity of effective managerial control and engagement in a business entity (Charan et al., 2001). Thus, the aim of this work-based project involves addressing and examining the question of succession planning in family-owned and managed small and medium-size Cypriot advertising agencies, as well as developing a feasible model of leadership succession for such agencies. It takes into consideration the four major stakeholders in advertising agencies, namely non-family employees, owner-managers, clients, and the media.

The study's roadmap draws on Freeman's (1984) Stakeholder Theory and Ajzen's (1991) Planned Behaviour to explore the attitudes and perceptions of important stakeholders at work, as well as on Hofstede's (2001) Cultural Dimension Approach to understand the cultural context of Cyprus. Moreover, research adds to extant literature by providing information regarding stakeholders such as media and clients, and by placing emphasis on the feelings and needs of non-family employees in the context of the family firm's working environment.

To that end, this action research project involves semi-structured interviews and focus groups to investigate a) the attitudes of the four major stakeholders towards succession-related issues; b) non-family employees and owner-managers' perceptions of what important and influential stakeholders in advertising agencies think about succession in such agencies; c) the behavioural intentions of non-family employees to stay or leave their workplace in connection with the family firm's succession, and the owner-managers intentions to keep succession in the family or engage non-family

employees in the firm's succession planning; and d) explain findings on organisational mentality regarding succession through the cultural lens.

The findings of this study reveal that succession is not a top priority issue of advertising agencies' owner-managers who view succession as a single event rather than a long-term planning process. Moreover, findings support that all stakeholders participating in the research perceive succession as a family matter, while the impact of the Cypriot culture is a determinant of the creation of such perceptions and attitudes. This study's results also underline the importance of adopting strategic planning for leadership succession that includes skilled non-family employees, since talent and expertise are necessary ingredients for success in such a competitive and complex field as advertising.

The project's outcome is a model of leadership succession that takes into account insights of the major stakeholders in advertising agencies and provides a map of the succession planning process, indicating important steps and features necessary for its successful implementation. As such, the proposed model of leadership succession has an impact on advertising agencies as business entities, as well as on the four major stakeholders involved in such agencies, since it incorporates their personal and professional needs alongside their positions regarding succession and ensures a smooth leadership takeover by talented non-family professionals responsible for leading a family firm forward.

The workability of the leadership succession model has been tested at Contact Advertising, the researcher's workplace, and it is at the disposal of all family-run advertising agencies in Cyprus.

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# **CHAPTER 1**

## **INTRODUCTION, BACKGROUND AND CONTEXT**

The object of this work-based research is to investigate the issue of succession planning in Cyprus's advertising agencies, taking into account four major stakeholders at the workplace, and subsequently to design a workable framework of a model of succession planning within the operational context of agencies that rank in the category of family-owned and managed micro, small and medium-sized business entities (SMEs). The feasibility of the succession planning model to emerge from this study will be tested at Contact advertising agency, the researcher's workplace.

Exploring the attitudes and perceptions of these four stakeholders in the advertising business regarding succession will help clarify the business needs and demands of these particular stakeholders in relation to the succession planning process. It will also identify the most fundamental factors underlying the structure as well as the essence of a robust leadership succession plan – a prerequisite for future business growth and human resource satisfaction.

Specifically, the beliefs and perceptions of these four major stakeholders in relation to the succession may influence the strategic design of leadership succession in advertising agencies: owner-managers and non-family employees shape the two main groups of important stakeholders, whereas media and clients come to add their own input on the issue of succession.

This research project is based on the insider-researcher's professional experience in advertising over the past 24 years and intends to link critical issues with real-world problems that Cyprus's small family firms face in this professional environment. In the process of designing and developing this project, previous professional and personal learning, as well as access to data sources thanks to the managerial position the researcher holds at Contact

advertising agency, are expected to contribute to the synthesis of new knowledge on the attitudes of four main players in the field of advertising towards ownership-leadership, while challenging the prevailing culture regarding succession.

This research project comprises two constituent parts: a) small and medium- sized family firms used as a guiding framework and b) advertising agencies examined as a particular business sub-system in the wider context of family businesses.

Family businesses have been the backbone of corporate life across nations, remaining a cornerstone of socio-economic development (Poutziouris, Smyrnios & Klein, 2006). In Cyprus, family owned, micro and small firms are considered to have a predominant role in the national economy, representing 99% of business entities (Konis, 2008). Yet despite the challenges of an increasingly competitive market, family business entrepreneurs seem to be reluctant to adopt an organisation-wide strategy that is focused on ensuring that the firm will be able to grow and perform in a future that is challenging and unpredictable.

Indeed, in many family owned and managed firms, leadership succession is rarely planned (Davis & Harveston, 1998). The majority of founding managers appear unwilling to reconfigure current organisational structures and craft a leadership succession plan to ensure that a pool of well trained and experienced talent is available to take over the business leadership at the right time. As is widely accepted, most owner-managers do not retire, but die in office (Brown & Coverley, 1999). Furthermore, most owner-managers cannot address the possibility of leadership succession outside the family and expect that their children will succeed them in the business (Ward & Aronoff, 1990).

## **Context of small and medium-sized family businesses in Cyprus**

During the time this project was in process, the 2008-2012 global financial recession had already had far-reaching repercussions on the Cyprus economy and in particular on certain economic sectors, such as construction, real estate and advertising. Due to the downturn in economic activity, many small and middle-sized firms began to suffer from financial decline that culminated in March 2013 when the major financial crisis exploded in the Republic of Cyprus and led the heads of companies across the business spectrum to reconsider established business practices in order to secure their business entities.

In order to contextualize Cyprus's family SME's as well as their culture and stance towards succession, preliminary research was undertaken between the 1st and 18<sup>th</sup> of December 2012. This preliminary study was conducted for two reasons: a) extant research on local family SME's is not considered adequate to provide the context for this project (Hart, 2003); b) it is also widely accepted that culture, attitudes, beliefs and values may differ from country to country (Hofstede, Hofstede & Minkov, 2010). The sample of this study consisted of 150 managing directors and general managers of family SME's covering all industries: Retail/Wholesale trade (46,2%); Industry/Construction (28,8%); Services/Education (25,0%). More information on the methodology of this preliminary research is presented in Appendix p. 214 and the results are presented below.

### *Size of family business*

Most family businesses in Cyprus have a small number of employees. The overwhelming majority of family businesses in the sample have a workforce of less than 10 employees (87%). About one in ten family businesses has between 10 and 49 employees (12%), while only 2% of family businesses report having more than 50 employees.

### *Family involvement in the business*

In most family businesses the founder is still in control, while first degree family members, such as spouse and children, are also involved in the running of the company. Moreover, in three out of four family businesses the voting ownership belongs to the family, while boards of directors in all family businesses consist overwhelmingly of family members who have a very strong presence in top management as well.

### *Family generation involved in the business*

In more than half of the companies in the sample (58%), the founder of the company is still in control of the business.

Control has passed to the first generation of descendants in three out of ten family businesses (31%), while in 10% of companies management has passed on to the second generation of descendants. Only in a very limited number of family businesses (2%) has the control of the company been passed on to the third generation of descendants. Instances where the founder is still in control are more prevalent in businesses where the managing director is over 50 years old. In companies where the general manager is under 50 years old, the likelihood that the company is in the second or third generation increases.

### *Family members involved in the business*

Only in 4% of businesses is the owner the sole family member involved in the business. In most family businesses a heavy involvement of first-degree family members is recorded. Respectively, 42% of respondents state that either their parents or spouse are involved in the business, while a further 39% state that their children are involved as well, and an additional 27% state that their brothers and sisters have also joined the company. Involvement of relatives beyond the first degree is much more rare. Only 4% work alongside first cousins, and only 4% alongside other family members, i.e. in-laws.

In companies where the managing director is over 50 years old, involvement of other family members is primarily limited to spouses and children. By contrast, managing directors under 50 years old report extensively that their parents or siblings are also involved in the family business.

#### *Family share in the business*

In three out of four family businesses, the family owns all or almost all of the voting type share capital of the company. In an additional 6% of companies, the family maintains a majority share by holding between 51% and 70% of the company's share capital. In 19% of the companies in the sample, the family does not have a majority share but rather owns only up to 50% of the company while the rest belongs to other partners.

Among first generation family businesses where the owner-manager is over 50 years old, it is more prevalent that the family remains the sole voting owner.

#### *Family presence on the board of directors*

The board of directors in all family businesses consists overwhelmingly of family members. Specifically, in our sample, 15% of the companies have a board of directors that comprises a single member. In all these cases, the sole member of the Board is a family member, namely the owner-manager.

Some 46% of companies in the sample have Boards of Directors with two members. In the overwhelming majority of these companies both members on the Board are family members (44%), i.e. father and son or husband and wife. Only in a few cases (2%) is a member of the Board, e.g. the firm's lawyer or external accountant, not a member of the family.

In 31% of the companies in the sample the board of directors has three members. In five out of six of these companies (25% of total sample), all Board members are part of the family. In the remaining cases (6% of total sample), the Board consists of two family and one non-family member.

In companies with four or five-member Boards of Directors (4% respectively), all members of the Board are members of the family. This is mostly the case in family businesses where all offspring are involved in the business management.

#### *Family presence in top management*

In all family businesses in the sample, the family has a presence in the top management of the company.

In most firms, one (42%) or two family members (35%) are in the top management. The incidence of companies with three family members in top management reaches 19%.

Having more than three family members in the top management of the company is much less prevalent. Respectively, only 2% of companies assigned either four or five members of a family to their top management positions.

#### *Succession planning*

Most family businesses either do not have a succession plan in place or in mind, or the managing director has a plan in mind but has not yet formalised or announced it. In their majority, however, owner-managers are the sole decisionmakers as far as succession is concerned.

#### *Existence of a succession plan*

Some 44% of family companies do not have a succession plan in place or in mind. Only one out of ten family businesses has adopted a legally certified succession plan, while in a limited number of businesses, succession has been discussed and agreed upon verbally by family members, but it has not been recorded in writing (6%). Yet, in a large proportion of family businesses, a succession plan is just in the mind of the Managing/ Executive Director who is also a family member.

Logic dictates that having a succession plan should be more prevalent in companies with owner-managers over 50 years old, as one would expect them to be preparing to retire and

hand over leadership to next generation of managers, either family or non family members. However, this does not appear to be the case among Cypriot owner-managers. In fact, companies where the managing director is over 50 years old are just as likely, or somewhat more likely, not to have a succession plan when compared with companies where the head is under 50 years old (48% vs. 42%).

#### *Next CEO / Managing Director of the company*

Almost two-thirds of the family businesses in the sample expect their next Chief Executive Officer / Managing Director to be a family member (64%). In only 14% of the family businesses is it expected that the next head of the business will not be a family member. Still, a significant 23% of owner-managers are uncertain as to whether the next head of the company will be a family member or not.

The incidence of the next CEO / Managing Director being a family member is similar between both companies that are run by individuals over 50 years old and those run by individuals under 50 years old. Still, current managing directors under 50 years old are comparatively more likely to express uncertainty as to whether the next CEO will be a family member or not (32% vs. 10%), while current managing directors over 50 years old are comparatively more likely to state that the next CEO will not be a family member (29% vs. 3%). This trend is justified by the fact that six out of ten owner-managers of family businesses that participated in the survey would not trust a non-family member at the head of their company. Some forty percent, however, feel comfortable with passing leadership of the company on to a non-family member. Trust in a non-family member running the family business does not differ significantly given the age of managing directors.

#### *Decision-makers of company succession*

In most family businesses, the decision as to who will succeed at the helm of the company lies with the current family member who is the owner-manager (44%). In most other cases the decision is made jointly by the current member of the family running the business and either

the directors of the company (17%), his/her spouse (14%), his/her spouse and children (8%), or his/her children (2%).

Still, in 17% of the companies, the owner-manager excludes her/himself from making decisions on succession. In these establishments, the current family member running the business states that the succession of the company will be decided by other family members.

However, where the head of the company is over 50 years old, the owner-manager is far more likely to be the sole decision-maker on succession (62% vs. 29%), while in companies where she/he is under 50 years old, it is much more likely that other family members are involved in the decision-making process.

#### *Potential problems relating to the lack of a succession plan*

Almost half of the family businesses in the sample do not identify any potential problems that may arise due to the lack of succession planning (44%).

Some four out of ten companies, however, point out that the lack of a succession plan may be a source of insecurity and uncertainty among employees with regard to the future. To some extent, this opinion dovetails with the view that the lack of succession planning is at the root of the inability to retain capable executives (14%) and reduces productivity of employees (14%).

One out of four companies also points out that the lack of a succession plan makes it impossible to make long-term plans within the company. Moreover, lack of a succession plan is also a source of dispute among family members with different opinions as to the future of the family firm.

Unawareness a problem with the lack of a succession plan is more prevalent among managing directors who are over 50 years old (52% vs. 39%). Younger managing directors under 50 years old are more likely to associate the lack of a succession plan with insecurity among the



workforce regarding the future, inability to retain capable executives and disputes among family members.

### *Most likely succession plan*

In half of the companies in the sample, current owner-managers expect that they will pass both ownership and management of the company to the next generation (50%). This stance is more characteristic of managing directors under 50 years old (61%) than managing directors over 50 years old (33%).

In some 8% of companies, it is expected that only ownership control will pass on to the next generation, while in 6% of the companies it is expected that only management control of the company will pass on to the next generation.

A significant number of owner-managers interviewed indicate that they are more likely to sell their business in the future than pass it on to future generations (19%). Such plans are more common among managing directors over 50 years old than those under 50 years old (29% vs. 13%).

Only 2% plan to retain control and hire or promote non-family professional managers to replace them and to run the company.

A significant 15% of the total sample is uncertain of the future and whether ownership and/or management control of the company will be passed on to the next generation.

### *Impact of the current economic crisis*

The economic crisis challenged the survival and growth of most local SME's, which suffered a double shock: a decline in demand for goods and services, and a tightening of credit terms severely affected their cash flows.

In the context of this survey, almost half of the owner-managers state that the decline in economic activity has influenced adversely their work cycle, and a third note that it has

adversely affected their cash flow. Therefore, these developments have undermined the long-term survival of the company including succession plans. However, the economic crisis has not affected succession plans in a third of the companies in the sample, as offspring are in the process of taking over the business.

#### *Main issues family businesses face at present*

Only a mere 2% of family businesses support that at present they are not facing any major issues such as liquidity or credit and payment facilities.

Overwhelmingly, eight out of ten companies state that they are facing cash flow issues, while an additional 23% have issues with funds for investment and development. These constitute the main problems that family businesses face at present and they tie in with the current economic crisis. Moreover, some 14% of family businesses are facing productivity issues, whereas some companies also have problems in terms of their workforce. Specifically, 12% of the companies in the sample are facing a lack of skilled/talented employees, while 10% are facing an issue with lack of loyal employees.

Only 10% of companies include the lack of a succession plan among the main issues that their company faces at present.

#### *Impact of economic crisis on succession planning*

The economic crisis has not affected succession plans in 37% of the companies in the sample (managing directors over 50 years old are more likely to state that the economic crisis has not affected succession plans).

However, the succession planning of the majority of companies has been affected in the sense that owner-managers cannot make long-term plans regarding the future of their company.

Inevitably, this has brought succession plans and considerations into question, as the company may not be around to pass on in the future.

At the same time, some 33% of businesses report that the current crisis has adversely affected their cash flow as the value of unsettled invoices rises. Again, this raises concerns regarding the company's ability to survive in the long term, and therefore succession is not among the managing director's priorities.

Moreover, some 6% of companies note that the current economic crisis has shifted their attention and efforts to short-term survival plans, and away from long-term plans.

Other ways in which the economic crisis has affected succession plans, e.g. considerations whether to merge or sell the business, were infrequently mentioned (6%), while 6% of the companies did not wish to specify in what way the crisis affects their succession plans.

## **The Case of Advertising Agencies in Cyprus**

The context of small and medium-sized family businesses in Cyprus as it was presented above, reflects the scene of the small society of advertising agencies in Cyprus, which constitute the subject under research in this study and will be examined in depth as below.

Specifically, in the advertising industry of Cyprus, all advertising agencies are grouped in the category of SME's (72% of the agencies employ less than 10 people and 28% employ 10-30 persons), and the majority are family firms. In fact, according to the 2012 records of SDEK (Cyprus Association of Advertising Agencies), among 32 registered members, only two agencies are non-family businesses: DDB, which is a branch of an international network, and Ex Libris advertising agency, a major shareholder of which is a political party. The remaining 94% of the agencies are family owned and managed business units characterized by a stereotypical ownership regime governing all kinds of organisational and business relationships. Traditional business perceptions are also reflected in the composition of the board of directors as 80% of the agencies appoint only family members to their boards. Furthermore, despite the fact that advertising agencies constitute a relatively new industry in Cyprus, taking into consideration that only four agencies (12%) have been operating in the market for more than 30 years, second generation family members have already joined 22% of the agencies but with the governing power still remaining in the hands of founding owner-managers.

Although advertising in Cyprus has been undergoing major operational developments since the nineties in order to meet the demands of a changing media environment and the needs of a competitive market, modernisation has not brought any structural changes in the leadership succession culture of advertising agency owner-managers. However, as the 2008-2012 global recession followed by the 2013 financial crisis in Cyprus resulted in a drastic drop in advertising activity, most of the advertising agencies have been facing such financial deficits that force them to set new survival priorities and reconsider traditional values and beliefs

regarding ownership-leadership. This applies to the researcher's workplace, Contact advertising, which constitutes a case study for the present project.

### **Contact Advertising**

Contact Advertising agency was founded in 1982 in Nicosia, Cyprus, as a limited liability company. The founding owner and his wife are the sole shareholders of the company and they also have voting rights on the board of directors which consists of three people: themselves and the company's lawyer.

Since its establishment, Contact Advertising has followed a constant route of evolution as a full-service advertising agency, handling a very interesting portfolio of clients including semi-governmental organisations such as the Cyprus Telecommunication Authority and Cyprus State Fairs Authority, multinational clients such as GlaxoSmithKlein, Ferrero, SaraLee, and British Airways, as well as well established local companies and organisations, e.g. C.A.P Papaellinas, Hellenic Bank, and Frederick University.

The Agency is affiliated with Grey Global Group, a multinational communication network, employs 14 qualified professionals and ranks among the top eight (8) out of thirty-two (32) advertising agencies in Cyprus. (The ranking of advertising agencies in Cyprus is estimated by yearly media investment monitored by specialized companies.)

After managing to double its turnover since 1998 and reaching a climax in 2010, Contact Advertising's next strategic steps addressed the implementation of innovative services such as digital design and marketing to meet the needs of new emerging market requirements. However, the decline in advertising activity that started in 2011 led to the reconsideration of any long-term strategic plans.

Regarding Contact Advertising's succession, no succession plan has been announced or discussed with the non-family member management team. Even though the founding owner is of retirement age, he still maintains control. His two daughters, aged 35 and 30, decided not to join the company.

Among Contact Advertising's 14 employees, seven who are aged 30-55 are experienced non-family executives leading the departments of account planning, client service, media, creative services, digital services, public relations, and accounting and finance.

The conclusion of the above discussion is that Contact Advertising will, in the foreseeable future, be in need of a non-family professional manager to take over the firm. Therefore, applying this work-based study at Contact Advertising may help the owner-manager make the right decisions regarding the firm's succession.

### **Purpose of the Project**

In the fiercely competitive arena of today's advertising industry, the failure of owner-managers to address succession planning at an early stage may put micro, small and medium-sized family business at risk in respect of business performance, development and long-term growth, as well as the availability of talented professional executives to take over. Thus, the research question was formulated out of the researcher-practitioner's interest as a researcher to investigate how advertising business owner-managers should respond, in terms of implementing new management practices, to their crucial need to take their business forward and therefore be pragmatic enough to build a leadership succession plan that meets advertising agencies' future leadership needs.

### **Aims**

The aim of the project under research is to develop a feasible and realistic model of succession planning, that entails ways to optimise the process and implementation of succession planning, within the operational context of an advertising agency, taking into account the attitudes and perceptions of four important stakeholders at the workplace.

The proposed leadership succession model will enable advertising agencies in Cyprus to increase organisational readiness by proactively identifying the needs and beliefs on succession of the defined four major stakeholders at the workplace and incorporate them in the company's management practices and medium or the long-term strategic plans. Although

beyond the scope of this research, alternatives in succession and talent management practices will help family businesses to plan better for leadership succession and in turn achieve significant benefits including improved financial performance, and engineer restructuring programmes in the context of a strategic development growth plan.

## **Objectives**

Research will investigate and gather information on the perceptions and attitudes of the four major groups of participants that carry out the business, namely owner-managers, non-family employees, media and clients, which all come into play in today's business environment.

In the same context, research will examine the behavioural intentions of family advertising business owner-managers in Cyprus to keep succession in the family or include non-family employees in their succession plans, and whether and how influential others such as the owning family have impact on these intentions. Recognizing the fact that businesses and the people who run them are themselves members of a community of practice in a multi-directional social process (Horner, 1997), and that every entrepreneur's philosophy of practice is also a result of cultural and regional forces (House, Wright & Aditya, 1997), this study will be placed in the cultural context of Cyprus in order to try and explain research results.

While most literature on succession planning deals with the owner's side, the present research will add to this knowledge by focusing on non-family employees' perceptions and attitudes regarding their opportunities as potential successors as well as take into account other stakeholders at the workplace such as media and clients, studying their attitudes and perceptions towards ownership-leadership. Within the current operational framework of family owned and run advertising agencies, the implications of the absence of succession planning on organisational behaviour will be explored as well.

## **Outcome**

The outcome of this work-based research will present a model of leadership succession for the whole industry of advertising agencies in Cyprus that will be tested within Contact Advertising, the researcher's work organisation, in order to verify its feasibility, workability and acceptance among ownership and employees.

The mapping of the perceptions, attitudes and beliefs of the four important stakeholders regarding succession that will result from the research project will provide information to support a smooth process of management transition without challenging existing business relationships with internal and external partners. Specifically, as the ownership-leadership status plays a critical role in the whole business operational process in the business scene of Cyprus, this research project will propose a framework of leadership succession that respects and incorporates the opinions of the four main interested parties and secures a clearer understanding of those perceptions in communication and business relations.

Consequently, by clarifying expectations and beliefs on succession, the suggested model of leadership succession may constitute an opportunity for advertising agencies to secure their future value, survive and flourish. In particular, the proposed leadership succession model will possibly facilitate the goal alignment of owner-directors and management team with respect to organisational growth vision, thereby gearing advertising agencies for growth towards new horizons and boosting their competitiveness.

Moreover, the outcome of the research may have an impact on the culture of the advertising community, as it could help modernise traditional perceptions of practices and behavioural stereotypes in organisations. This will be achieved by providing a leadership succession model which may help entrepreneurially inspired owner-managers of family advertising agencies to explore new strategic management practices. Thus, a platform will be offered for the next generation of managers to pursue a new roadmap for growth.



Finally, the research outcome will generate new knowledge on leadership succession based on the perceptions and attitudes of stakeholders other than the business owner-managers.

Specifically, it will enrich extant research in the area of succession planning by considering the attitudes and perceptions of non-family employees, media and clients on succession in family firms.

## **CHAPTER 2**

### **LITERATURE REVIEW**

This literature review highlights the content and contribution of the articles that have been influential in the construction of knowledge related to succession planning in family firms. For the purpose of this project, the literature review covers research, initially setting the definition of SMEs and family firms upon which the research analysis will be based, and moving on to an overview of the world of family businesses, with the intention to delve deeper into this growing area of study.

As such, the literature review seeks to explore major factors that determine the behavioural culture of family-owned SMEs and shape their organisational and operational framework in relation to succession planning. Through such a review, a new research path is also initiated into the dynamics of advertising, gaining relevance within the succession-planning research perspectives of small- and medium-sized family businesses. Finally, this literature review attempts to obtain new insight into the various stakeholders involved in the business side of advertising agencies, such as non-family employees and owner-managers as well as media and clients, whose perceptions and attitudes may influence the context and process of the family firm's succession planning. This is an unexplored area of study and this research project will add to extant literature.

Below are the definitions of SMEs, family business, and the concept of familiness. These are followed by: a presentation of literature on succession planning; the analysis of this research project's theoretical background; a review of owner-managers and non-family employees as major stakeholders in advertising agencies. Due to the lack of information regarding the role of clients and media as important stakeholders in advertising agencies, these two categories will be elaborated on at a later stage further to research results.

Finally, existing literature on family owned and run SMEs and succession issues in such firms across all industries in Cyprus is presented, followed by a brief history of the advertising industry and family advertising agencies in Cyprus, leading to the conclusion of this literature review.

### **Definition of SMEs**

Although it is widely accepted that no official universal definition of SMEs has been developed (Mukhtar, 1998), the European Commission offers a widely accepted definition, first adopted in 1996, which specifies size gradations for micro, small and medium-sized firms based on three factors: headcount, annual financial turnover, and annual balance sheet total. Based on these parameters, a micro-firm is defined as an enterprise with  $\leq 10$  employees and a turnover/balance sheet that does not exceed  $\leq \text{€}2$  million. A small-sized firm is defined as having  $\leq 50$  employees and a turnover/balance sheet that does not exceed  $\leq \text{€}10$  million. Business entities with  $\leq 250$  employees,  $\leq \text{€}50$  million turnover and a  $\leq \text{€}43$  million balance sheet are considered to be medium-sized firms.

Figures provided by the European Commission indicate that 99% of all European businesses are SMEs and are primarily responsible for the wealth and growth of the European economy, since SMEs provide two-thirds of all private sector jobs and contribute more than half of the total economic value created by businesses in the EU. It is important to note that nine out of ten SMEs in the EU are micro-firms with less than 10 employees.

### **Definition of Family Business, Research on Family Business and the Concept of Familiness**

Despite the fact that as in the case of SMEs, a single definition of family business is not universally applied either (Astrachan, Klein & Smyrnios, 2006), agreement exists on three essential elements of a family business: the family, the business, and the ownership (first illustrated by the '3-circle' model of family business developed by Tagiuri & Davis in 1982). In 2009, the European Commission Expert Group on family businesses set the following criteria that shape the definition of family firms: a) The majority of decision-making rights is in the possession of the natural person(s) who established the firm, or by the natural person(s) who has/have acquired the share capital of the firm, or by direct heirs such as their spouses,

parents, child or children; b) The majority of decision-making rights are direct or indirect, meaning that the owner of the family firm or his/her heirs are members of the board of directors, or they are represented by a lawyer or an accountant appointed by the family; c) At least one representative of the family or kin is formally involved in the governance of the firm; and d) It could be a public limited liability company in which family shareholders have a minimum of 25% of the decision-making rights. This definition includes family firms which have not yet gone through the first generational transfer and also covers sole proprietors and the self-employed (provided that a legal entity which can be transferred exists).

Small and medium-sized family firms represent the majority of all businesses in countries around the world (Astrachan & Shanker, 2003). They account for between 70% and 90% of global GDP per year (PricewaterhouseCoopers, 2011). This fundamental importance of the family business for the prosperity of national economies is expected to grow over time (Arregle, Hitt, Sirmon & Very, 2007).

Since the majority of enterprises across the globe are family businesses (IFERA, 2003), a significant amount of academic research has been conducted on the topic (Sharma, Hoy, Astrachan & Koiranen, 2007). In particular, research often addresses the question of how family affects businesses. Family and business can also be seen as interpenetrating systems which can overlap to the point of being seen as a single system (Basco & Pérez Rodríguez, 2009). It is suggested that a family has a collective psychological ownership of its business as a construct that clearly shows the influence of family on business and reflects the fusion between family and business (Rantanen & Jussila, 2011).

Indeed, in family businesses, the business represents a significant part of the family's context (Landsberg, 1992) and the family represents a significant part of the business's context (Pieper & Klein, 2007). As these two aspects are inter-linked, a balanced, similar and simultaneous attention to both family and business is necessary to avoid tensions and conflicts (Basco & Rodriguez 2009).

In addition to the above, Basco and Rodriguez (2011) argue that family- and business-oriented decisions are clear in the areas of board of directors, succession, human resources and strategic process. They propose three ideal types of family firms in which the fit of family and business-oriented decisions makes them successful. They also conclude that business performance can be achieved in different ways – and family involvement may not necessarily be opposed to business performance. Nevertheless, interpersonal dynamics have been a major focus of family firm research. Among other authors, Beckhard and Dyer (1983) found that conflict and disagreement among family members increases with the number of generations involved in the firm, although conflict can exist in first-generation family businesses when siblings, spouses or other relatives participate in management.

A further study indicates that the presence of family influence and family social capital may slow down the family firm's process of formalising human resource practices when compared to a non-family business (Kidwell, Hoy & Ibarreche, 2012). However, family firms can benefit even more than their non-family counterparts if they match their concern and attentiveness to the two key stakeholders of the organisation, the family employees and the external customers, as it is through employees that the demands and needs of customers are usually met (Neubaum, Dibrell & Craig, 2012). Moreover, in order to achieve market success, firms must sense and respond to the needs of not only customers, but also employees (Cabrera-Suárez, Déniz-Déniz, Martín-Santana, 2011).

Literature surrounding family business structures suggest that family firms possess unique operant resources such as organisational culture that enable them to compete more effectively overall than their non-family competitors (Zahra, Hayton & Salvato, 2004). Indeed, research findings do demonstrate a competitive advantage in family over non-family businesses in the context of organisational innovation, as family businesses implement a service-dominant strategy with strong focus on the customers and their needs in association with a stewardship culture. This means that managers (i.e. family members) are more concerned about the well-being of the organisation and find their identity is tied to that of the organisation (Dibrell &

Moeller, 2011). Sundaramurthy & Kreiner (2008) suggest that family firms can even strategically promote their family identity to gain a competitive advantage over non-family businesses, given the positive qualities such as trust, commitment and the customer-oriented perspective that are attributed to family firms.

Furthermore, while it is widely accepted that family businesses play a significant role in the global economy (Anderson & Reeb, 2003), some of them prefer to pursue value creation through non-economic benefits, such as giving jobs to family members and preserving family ties. These so-called lifestyle firms (Chrisman, Chua & Litz, 2003) are unwilling to employ non-family managers and are cautious in their strategy, thereby reducing their potential for future growth and profitability (Zahra, 2005). Alternately, because of a long-term vision and strong relationships with main stakeholders (Chrisman, Chua & Litz, 2003) enterprising family firms contribute to employment creation and economic progress (Zahra, Hayton & Salvato, 2004).

Focusing on the nature of entrepreneurial family firms, Habbershon, Nordqvist & ZWelleger (2010) introduce the concept of transgenerational entrepreneurship within the context of established firms that are controlled by families and have a vision of family influence beyond the founding generation. The authors argue that entrepreneurship, defined as the capacity to renew the firms operations through innovation in order to create new capabilities (Zahra, 2005), is a key to performance and success over several generations of family firms.

In examining the entrepreneurial behaviour of family firms, Weismeier-Sammer (2011) stresses the importance of organisational size and argues that strategic planning in small family firms seems to comprise a certain 'entrepreneurial spirit' that influences their entrepreneurial behaviour. Additionally, the content and impact of strategic planning is related to the national culture in which a family firm is embedded. Moreover, the unique set of values and interests that characterise each owning-family guide the strategic development of the firm, whereas the practice of strategic planning is linked to local and family-related

rules of the game. This assumption is based on the argument that the practice of strategic planning in the family business context presents three dimensions: the planning mode, which refers to the model and framework used in the strategic planning process – including techniques and tools in use; the planning motives, referring to the purpose and the reasons of strategic planning; and the planning arenas, which refer to the social situations where the strategic planning is practiced, such as formal meetings and social interactions among different actors (Nordqvist & Melin 2010).

Moreover, Bjursell (2011) argues that because of the determinant role of ownership in the organisational culture, the aspect of ownership should be included in the cultural studies of family firms in order to better understand how family business owners perceive mergers and acquisitions as well as the post-merging integration.

Within this wide context of family business research, the concept of ‘familiness’ attempts to answer the question: ‘How are family businesses different from other types of businesses?’ Attempts have been made to review the development of the familiness concept, which has been primarily defined as the unique set of resources, such as the family capital, as well as capabilities that arise from the interaction between the family, the owner-managers and the business itself (Habbershon & Williams, 1999), namely from the family involvement in the business. Nevertheless, Astrachan (2010) clarifies that the family factor as a relevant factor of influence on competitive advantages and disadvantages, as well as the success of family business, has been widely ignored in research.

In addition to the above, Chrisman, Chua, and Steier (2005) support that the concept of familiness encompasses the role of family synergies in the success or failure of a family business. Moreover, Habbershon, Williams and MacMillan (2003) maintain that familiness brings either competitive advantages or disadvantages, whereas Chrisman, Chua & Litz (2003) assert the presence of other sources of competitive advantages and disadvantages apart from familiness. Chrisman, Chua & Litz (2003) also show that without any collective



consciousness in the family business, meaning a personal identification between the family members and the business, an attachment to their businesses that goes beyond a mere financial relationship and becomes a powerful means of transmitting vision and values among family members, an organisation will have few possibilities to conduct familiness management. This is due to the fact that familiness is based on a clear family business identity and personality.

Finally, on the basis of the systems theory approach, familiness can be defined as a rule system coping with the interconnection of the business and family system's expectations in order to cooperate on a common purpose. In this sense, familiness results from the quality of the structural coupling of family and enterprise, and their historically grown contents such as wealth, culture and values, expressed through problem-solving and crisis management (Frank, Lueger, Nosé, Suchy. 2010).

### **Succession Planning**

Many researchers have shown interest in the field of family business and particularly in the topic of succession planning, seen by authors as the most important issue that family businesses have to face (De Massis, Chua & Chrisman, 2010), since succession planning ensures the continuity and prosperity of a business (Brockhaus, 2004).

Some have even gone so far as to assert that dealing effectively with the issue of succession planning is the single most lasting gift that one generation can pass to the next (Ayers, 1990). Motwani, Levenburg, Schwarz and Blankson (2006) provide an overview of succession planning, providing both comprehensive definitions on the matter and guidelines for effective succession planning. They also explain the need to plan for succession and the elements involved in the process. In cases where succession planning takes place, a study conducted by Chrsman and Sharma (1998) showed that integrity and commitment to the business are considered to be the most important attributes of a successor, suggesting that the succession decision should be based on personal qualities rather than gender, age or bloodline. It is worth

noting that research has found that the gender of the owner does not play a crucial role in succession planning processes (Harveston, Davis & Lyden, 1997). In addition, different criteria and patterns for succession planning might exist according to the firm's size and other factors involved such as range and type of activities (Sharma, Chrisman & Chua, 1997).

While examining succession planning in family firms, some authors have developed conceptual models for the assessment and implementation of succession planning strategies in family firms. For example, Longenecker and Schoen (1978) propose a model for parent-child succession in the leadership of the family-owned firm, which involves a long-term process of socialisation through seven stages that start in childhood. Rosenblatt, Mik, Anderson and Johnson (1985) believe that the ability of family members to welcome fruitful criticism from one another constitutes a prerequisite for smooth succession. Matthews, Moore and Fialco (1999) demonstrate a general leadership model of succession that includes a process by which the parent/leader and child/successor evaluate themselves and each other through a cognitive categorisation process. Stavrou and Swiercz (1999) propose a model that investigates intergenerational transitions in family firms and explore the reasons why offspring would choose to join the family business or not. Moreover, Stavrou (2003) suggests a model for the succession process from a perspective of 'extraversion', a Jungian psychological framework where the subject places more importance on the outside values and beliefs than on his/her own needs.

More recent studies on succession planning broaden existing knowledge of succession by exploring yet more intricate issues on the subject. For example, Wright (2013) asserts that leadership succession takes place in the context of change in which the firm is functioning, and the key to successful and smooth leadership transition is the awareness of the outgoing leader of the variations of the three inter-connected aspects of change: the environment, the organisation and the personal aspect. He suggests that as the environment changes, the organisation adapts, and the leader should be prepared to make adjustments. More specifically, environmental circumstances such as economic constraints or competition

challenge the growth of the firm and demand new strategies or new talent and skills, which in turn may cause the leader to avoid risk or outgrow the leader's competences. In such instances, leaders should transcend any personal emotional incentives for the benefit of the firm and pass leadership to the right successor providing him/her with inspiration, motivation and vision in order to embark on the next stage in the firm's life.

In another example, Van der Merwe, Venter and Ellis (2009) highlight the importance of management succession planning in small and medium-sized family businesses and argue that both management succession planning and the perceived suitability of the prospective successor have a positive impact on the outcome of succession. This implies that family businesses can improve their chances of a successful succession to ensure their long-term sustainability. Specifically, the researchers point out the significant role of an effective management succession process in the successful transfer of the family business from the senior-generation to the younger one.

Further to the above study, Van der Merwe (2010) assesses the determinants of successor development defined as participative management, perceived competence of the successor, and potential realisation. He argues that the more the family business is managed by means of a participative management style by the senior generation owner-managers, the better the perceived competence and the realisation of the full potential of the younger generation family members will be.

In his study that was conducted in South Africa, Van der Merwe confirms the important role that the senior-generation family members play in the development of the younger-generation successors to ensure that the successor is capable of successfully managing the family business and ensuring its sustainability after management succession.

In addition to the above, Van der Merwe (2010) assesses the determinants of the readiness of senior-generation owner-managers to transfer the family firm's management and control to the younger generation. Specifically, five factors are identified with eigenvalues greater than one, explaining 62.64 percent of the variance: the senior-generation owner-manager's readiness to let go, the retirement planning, the perceived suitability of the successor, the estate planning, and the perceived liquidity of the business after the transfer.

In their examination of management control transfer, De Massis, Chua & Chrisman (2008) investigate the factors that prevent the transfer of managerial control from one family member to another in cases where both an intention for succession planning and a potential successor exist.

They establish five categories of factors that affect this decision: a) Individual factors such as limited ability and lack of motivation of potential successors, or unexpected death, divorce, remarriage of the incumbent; b) Relation factors including conflicts/competition in the parent-child relationship or among family members or lack of potential successors; c) Context factors such as a change in business performance and a decrease in business scale. In particular, the authors Stavrou's argument (1999) that a positive correlation exists between business size and the intentions of a potential successor to join the business; d) Financial factors such as inability to sustain the tax burden related to succession, or to find the financial resources to liquidate the possible exit of heirs; and e) Process factors which relate to aspects of the succession process such as situations where the family firm is not considered financially viable or sufficiently rewarding and is therefore sold.

With regard to the motives and outcomes of succession planning, Gilding, Gregory and Cosson (2013) identify two main motives for incumbents to plan for their company's succession: the first is to ensure family business continuity across generations, and the second is to maintain family harmony within the family business. The authors suggest that the cross-

tabulation of these succession planning motives produces a typology of four combinations of motives, which in turn promote four different succession planning outcomes. Specifically, the institutionalisation of succession planning, and the implosion of the family business are the two obvious succession pathways, whereas imposition and individualisation include individual and self-interest factors as well as circumstances where incumbents impose succession arrangements regardless of family harmony, or where family business succession planning is directed towards liquidation of family business assets in order to realise individual shares.

As family businesses are generally held together by intergenerational ambitions (Churchill & Hatten, 1987), this desire to keep the company within the family affects the goals of family firms – both in financial and non-financial terms – and constitutes a common denominator in the culture of family businesses (Wright & Kellermans, 2011). The Family Business Institute states that 88% of current family business owners believe the same family will control the business in five years, whereas in reality, succession statistics undermine this belief – as only a small percentage of family firms survive the transition to the second generation and many intergenerational transitions fail soon after the second generation takes control (Ward, 2004). More specifically, just one-third of family businesses survive during the transition period from the first generation of the founder to the second owner-manager, and approximately one-third of those that do make it succeed to go to the next generation. In terms of the fourth generation, a meager 3-4% of the family businesses survive (Pountziouris, 2006, cited in Papadopoulos et al, 2009). Research also reveals that in the instance that a family member does join the firm for altruistic reasons, many experience an increasing desire to rid themselves of this pressure and are relieved when the business is sold to outside members – although the founder's psychological barrier to sell the company creates an exit barrier that prolongs the stress in the family (Sten, 2004).

In addition to the above, a 2004 study conducted by Sonfield & Lussier compared first-, second-, and third-generation family firms and found two significant differences regarding the

succession planning process. Specifically, first-generation family businesses do less succession planning than second- and third-generation family firms, whereas no differences exist between the three generations in relation to the influence of the founding owner. In addition, first-generation firms had the highest use of equity versus debt financing. Moreover, family relationships influence succession variables and the effects of family adaptability, and family cohesion on succession planning and successor training are determined by the family's commitment to the business and the quality of the owner-manager and successor relationship (De Massis, Chua & Chrisman, 2010).

Some authors argue that existing literature on family business succession planning focuses too much on the financial and legal aspect of succession, with emphasis on conflicts within family members participating in the business such as company growth, management strategy and innovative steps forward. Gilding, Kenley & Shrapnel (2013) note that much of the research on family business succession planning overlooks its sociological dimension. The authors highlight the fact that family business owners and managers often appoint professionals – i.e. accountants and lawyers – as advisors to oversee family business succession planning. Such professionals may ignore the fact that the problems arising from succession planning are social issues, since succession planning involves a wide and complex range of decisions and processes that are rooted in family communication and decision-making.

Likewise, Holt & Popp (2013) argue that the emotional elements of family are significantly neglected in both business history and social science studies of family firms, despite the fact that emotions and sensibilities affect family firms and play a determinant role in family business succession planning.

An attempt to take the succession planning literature in a new direction to include inter-cultural comparisons related to succession planning is made by Lussier and Sonfield (2012) who test and compare differences in levels of family business planning for succession in seven countries: Croatia, Egypt, France, India, Kosovo, Kuwait and the USA. The study finds that significant differences in the successful management of succession exist in family business succession planning between Croatia, Egypt, France, Kuwait and the USA, whereas no significant differences are noted between India and the other six countries. Although this study attempts to better understand the problems of passage that can exist in family firms, it does not explain why some family firms are able to successfully manage succession while others are not. Prior to Lussier and Sonfield's study, Stavrou (1999) compared offspring intentions in different cultural settings, and their willingness to join and take over the family business. Stavrou reveals that U.S. participants in the study were significantly less likely to join the family business than non-U.S. participants. According to Stavrou, this result may indicate that lower-context cultures such as the United States are less influenced by tradition than higher-context cultures in Europe and Asia.

Overall, most research related to family firms is directed towards succession planning as a serious issue for the survival of family businesses. Succession planning is not as easy as it seems. Careful planning is essential to ensure a smooth transition in the succession process, as it is an interactive, dynamic process during which family business members play multiple roles, such as an employee, a manager, an owner, a director, or some combination of these roles that should not be ignored (Lam, 2011).

## **Theories used in Family Firm Research**

The most prominent theories used in family business studies include agency theory and the resource-based view of the firm which have dominated the field (Chrisman, Kellermanns, Chan & Liano, 2010). Other prevalent theories include contingency theory (Lindow, 2013), transaction cost theory (Memili, Chrisman, Chua, Chang, & Kellermanns, 2011), stewardship theory (Arthurs & Busenitz, 2003), institutional theory (Leaptrott, 2005), stakeholder theory (Zellweger and Nason, 2008), prospect theory (Kellermanns, 2013), and theory of planned behaviour (Stavrou & Swiercz, 1999).

Specifically, agency theory examines the opportunistic behaviour of principals (shareholders) and agents (corporate management) in the firm, which result from conflict of interest as well as asymmetric flow information, since the agents have more information than the principals. According to agency theorists, agency issues can be dealt with mainly by aligning the interests of the agents with those of the principals through the provision of incentives and by establishing monitoring mechanisms to control the agents. Implemented in family firms, agency theory views the overlap in ownership and management as having the potential to reduce or increase the costs of operating the family enterprise.

The resource-based view argues that firms possess tangible and intangible assets such as efficient procedures, in-house knowledge and trade contacts that enable firms to achieve a sustained competitive advantage. The resource-based view of family firms suggests that a competitive advantage is created by unique and often idiosyncratic characteristics of family enterprises, including such traits as rapid speed to market, focus on market niches, concentrated ownership structure, desire to protect the family reputation, patient capital, knowledge transfer between generations, and responsiveness to rapidly changing external environments.

The contingency theory claims that no best way exists in organising or leading a company, and therefore the right strategy depends on external and internal constraints. Moreover, a



contingent leader effectively applies his/her own style of leadership to the right situation. Contingency theory has been applied in areas of family firm studies such as governance mechanisms, family firm's entrepreneurship behaviour, family firm boards, and family firm succession and internationalisation. In addition, Lindow (2013) supports the use of the contingency theory in the area of family firm performance.

The transaction cost theory offers a methodology for the analysis of how the organisation of transactions or the governance of economic organisations affects economic value. Using a transaction cost theory perspective in family firm research, the authors argue that family firms are less likely to engage in subcontracting than non-family firms. Moreover, family relationships – the extent to which the family members get involved in their production activities, and cost minimisation concerns influence the extent to which family firms employ subcontractors.

The stewardship theory argues that the behaviours of managers are aligned with the objectives of the firm's shareholders, and that managers are interested in achieving high performance and gaining recognition. The stewardship perspective of family enterprises recognises that owners of family businesses often exhibit a commitment to the mission of the family firm that extends beyond self-interest and is motivated by a desire to leave a positive legacy to succeeding generations. Their focus is on creating a capable enterprise and securing the long-term health of the organisation (Arthurs & Busenitz, 2003).

Institutional theorists assert that the institutional environment like systems of formal laws, regulations as well as customs and norms, drive organisations to adopt formal structures like fixed sets of rules and work procedures that result in directing attention away from task performance and therefore restrain economic activity. The institutional theory view of family businesses examines the groups outside the family firms that exert institutional forces on the business.

Prospect theory is about how people make choices between different options or prospects based on the potential value of losses and gains rather than the final outcome. Using prospect theory in family firm research, family firms are, according to Kellermanns (2013), thought to pursue non-financial goals that provide socio-emotional wealth, although socio-emotional wealth is feasible only with family control of the firm.

The stakeholder theory outlines how management can satisfy the interests of various groups of stakeholders in the firm, such as employees, customers or governmental bodies. Through the lens of the stakeholder theory, Zellweger and Nason (2008) deepen the understanding of financial and non-financial performance outcomes in family firms across multiple stakeholder categories.

Stavrou and Swiercz (1999) apply planned the behaviour theory in family firm succession study in order to examine the behavioural intentions of offspring to join the family firm.

Although the above multitude of theories has been used in various areas of family firm research, nevertheless Reay & Whetten (2011) stress the importance of constructing an enriched original theory related to the unique context of family businesses in order to assure the accuracy of description and explanation of the family business phenomenon.

To address Reay and Whetten's (2011) proposition and to provide a more nuanced examination of the businesses' succession planning, this study combines two theories – namely the stakeholder theory originally detailed by Freeman (1984) and the theory of planned behaviour originally developed by Ajzen (1991). In addition, this study places the succession problem in context by taking into account Hofstede's (2001) Cultural Dimensions.

## **Theoretical Basis of this Research Project**

Freeman's (1984) stakeholder theory identifies a firm as an organisational entity in which a number of participants with competing interests (stakeholders) achieve their goals. According to Freeman, the primary objective of a firm is to create superior value for relevant stakeholders in the long term. Thus, the stakeholder theory claims that a firm's management must consider the legitimate interests of groups and individuals who can affect or be affected by the activities of the firm. In other words, the stakeholder theory both points out and describes methods by which management can respond to the interests of those groups, and based on the stakeholder concept, management practices can be changed.

In the context of this study, the stakeholder theory is an appropriate theory to explore the four important stakeholders at the workplace, namely non-family employees, owner-managers, clients and media. The beliefs, intentions, attitudes, perceptions of such stakeholders on succession issues will be investigated based on Ajzen's (1991) planned behaviour theory.

The planned behaviour theory (Ajzen, 1991), regards the relationship between beliefs and behaviour as a key to understanding human behaviour. Further, it takes into account not only attitudes, but also the influence of significant others around us, whose judgment and expectations influence an individual's perceptions of a particular behaviour. In addition, it proposes that behavioural intention, which is defined as an individual's readiness to perform certain behaviour, is determined by a) subjective norms, namely the perceived social pressures to engage or not to engage in a behaviour, b) attitudes towards the behaviour, and c) perceived behavioural control, namely an individual's perceptions of his/her ability to adopt a given behaviour.

In the context of this project, planned behaviour theory will be applied to explore the four major stakeholders in an advertising agency.

First, it will be used in investigating non-family employees' perceptions and attitudes towards succession-related issues as well as their perceptions regarding the impact of significant

others (owner-managers, media and clients) in their working environment. As beliefs and expectations are associated with certain behavioural attributes that constitute measures of a given behaviour, the project under research will explore attitudes, perceptions, subjective norms, and perceived behavioural control that influence the intention of non-family employees to stay or leave their workplace in connection with the succession process.

Second, this theory will be used to examine the founding owner's intentions to relinquish or maintain power over the business by keeping it in the family. In addition, the planned behaviour theory will be applied in the investigation of owner-managers' perceptions of their subjective norms, namely non-family employees, the family, media and clients, as well as owner-managers' perceived behavioural control.

Finally, the planned behaviour theory will be used to explore the attitudes of clients and media towards advertising agencies' succession issues in relation to non-family employees and owner-managers.

The cultural context in which human communication occurs is one of the defining influences on human interaction, as culture provides the overall framework wherein people learn to organise their thoughts, emotions and behaviour in relation to their environment (Deater-Deckard & Dodge, 1997). In this context, Geert Hofstede conducted one of the most comprehensive studies on how values in the workplace are influenced by culture and argues that people differ across cultures on the extent to which they espouse five value dimensions: Power Distance; Individualism (versus collectivism); Masculinity (versus femininity); High (versus low) Uncertainty Avoidance; and Long-term Orientation (versus short-term orientation).

The first dimension, Power Distance, refers to the extent to which the less powerful members of organisations in the context of a specific country expect and accept that power is distributed unequally (Hofstede, 1997). The second dimension, Uncertainty Avoidance, is defined as the extent to which the members of a culture feel threatened by uncertain or

unknown situations. The third dimension, Individualism, is defined as the extent to which peoples in a country prefer to act as individuals instead of members of groups. Masculinity, the fourth dimension, is defined, according to Hofstede (1997), as the degree to which 'masculine' values prevail over 'feminine' values. The last dimension, Long-term Orientation, stands for the fostering of virtues oriented towards future rewards.

As Cyprus was not included in Hofstede's original research, Stavrou and Eisenberg (2006) measured the culture in Cyprus and defined it based on Hofstede's five (5) dimensions of culture, and positioned Cyprus among the other countries studied. According to Stavrou and Eisenberg (2006), Cyprus falls under the high power distance and high uncertainty avoidance category. It is a collective country with a masculine society and a long-term orientation. Thus, Cypriot organisations are characterised by a significant amount of formal hierarchy, a high degree of centraliation and limited participation of employees in decision-making, while employees need for clarity of policies and procedures reveals uncertainty avoidance. In addition, due to the fact that Cyprus is still a collective country, employers prefer to hire relatives or people they already know, while employees are committed to their organisations and do not abandon them easily. Moreover, individuals in Cypriot organisations are expected to strive to advance their careers, both by performing well and by gaining recognition from their superiors. Patience, perseverance, respect for one's elders as well as a sense of obedience and duty are characteristics of organisations in Cyprus.

Since it is argued that everything is culture-bound (Cousins, 1989), based on the highly prevalent original Hofstede's cultural dimensions theory (2001), the results of this study will be placed in the cultural context of Cyprus in order to be explained in connection with local culture and provide suggestions for the development of a leadership succession model for advertising agencies in Cyprus.

Beyond the above, little research has been conducted on the perceptions and attitudes of non-family employees, media and clients towards succession in family firms. For example, despite

the numeric predominance of non-family employees in family firms (Deloitte and Touch, 1999; Mass Mutual, 2007), their perspective seems rarely to have been considered in the family business literature. Most literature on succession planning deals with the owner's side and specifically with the company-owner-family triangle.

Therefore, as the intention of this research project is to explore simultaneously the perceptions and attitudes of four major stakeholders in advertising agencies – namely non-family employees, owner-managers, media and clients – towards succession, as well as the behavioural intentions of non-family employees and owner-managers in the cultural context of Cyprus, the combination of Freeman's stakeholder theory and Ajzen's planned behaviour theory in the context of Hofstede's cultural dimensions constitutes a useful approach to guide the study through a thorough investigation.

A further study could be conducted in relation to the psychology and intentions of non-family employees and other non-family stakeholders, whose perceptions and attitudes may influence the context and process of the family firm's leadership succession. Information on the perceptions of non-family employees regarding their intention to stay or leave their workplace – taking into consideration the limitations of their career prospects and in connection with the owner-manager's stance regarding the firm's leadership succession – could prove useful in retaining top talent by anticipating their needs and intentions, motivating them to build a career and illustrating their prospects within the company. Similarly, an understanding of the attitudes of clients and media towards advertising agencies' succession-related issues could enlighten owner-managers of such agencies as to how clients and media consider the perspectives of leadership transition in advertising agencies in connection with non-family employees. This would help them implement better succession processes to secure balanced relational dynamics.

In turn, the new knowledge resulting from this project could influence traditional practices and stereotypes. It could contribute to a healthier organisational culture in advertising

agencies in Cyprus, in terms of increasing productivity, growth, efficiency and reducing employee turnover and other counterproductive behaviour, by creating an environment in which both owner-managers and non-family employees thrive and are committed to helping their organisations succeed. In fact, all of the aforementioned are factors that translate into overall better performance and organisational success (Quick & Nelson, 2009).

To the best of the researcher's knowledge, the combination of these theories to study leadership succession has not been used in extant research.

First, Hofstede's Cultural Dimensions approach has not been applied in succession or other family business studies, although his work established a major research tradition in cross-cultural psychology and other cross-cultural studies and has also been drawn upon by researchers and consultants in many fields relating to business and communication.

Second, Freeman's Stakeholder Theory has been used extensively in the study of management issues of family firms, but not in succession. Specifically, Fraser and Zarkada-Fraser (2003) examine managerial effectiveness in the light of the stakeholder theory, whereas Zellweger and Nason (2008) investigate financial and non-financial performance outcomes in family firms across multiple stakeholder categories.

Third, Ajzen's Planned Behaviour has been applied in succession-related issues from various perspectives and in many ways, but not in examining these four major stakeholders together at work. For example, Stavrou and Swiercz (1998) use this theory to explore the factors that influence the intentions of offspring to seek employment or a leadership role in the family business. Likewise, Sharma (2004) applies the theory of planned behaviour to hypothesise the influence of the

incumbent's desire to keep the business in the family, the family's commitment to the business, and the propensity of a trusted successor to take over. Also, Zellweger, Sieger and Halter (2011) draw on the theory of planned behaviour to investigate career choice intentions of students with a family business background in terms of locus of control and entrepreneurial self-efficacy as well as independence and innovation motives. Furthermore, Carr and Sequeira (2007) indicate that prior family business experience has intergenerational influence on values, attitudes and behaviour, as well as on entrepreneurial intent. Finally, Vikström and Westerberg (2010) in an empirical study of small Swedish family firms and by structuring factors according to the theory of planned behaviour examine how leadership succession factors associated with attitudes, norms and perceived behavioural control of leading actors in a small family business can be related to how well the succession process works and to the firm's post-transition performance.



### **The case of non-family employees as important stakeholders in family firms**

Research findings show that nowadays 80% of family business employees are non-family members (Mass Mutual, 2007). Therefore, research is increasingly focusing on non-family employees' perceptions of the family firm's behaviours, decisions and actions and how these influence the employees' own attitudes and behaviours at work. Specifically, due to the fact that family businesses are usually linked with unique characteristics such as paternalistic rule, founder-centric culture and nepotism (Padgett & Morris, 2005), such idiosyncrasies generate perceptions of injustice among non-family employees (Barnett & Kellermanns, 2006).

In terms of the organisational justice theory (Greenberg, 1987), injustice perceptions are connected to the concept of fairness; employees are sensitive to decisions made on a day-to-day basis by their employers, both on the small and large scale, and judge these decisions as unfair or fair. According to Barnett and Kellermanns (2006), the high level of family influence has impact on the justice perceptions of non-family employees primarily through its negative effect on the fairness of human resource (HR) practices within family firms. Moreover, Casrud (2006) suggests that the managers of non-family employees address the issues of unfairness, injustice and inequalities that can threaten the family firm as an employment opportunity.

This phenomenon is critical to a firm's prosperity, since an employee's perceptions of justice have been connected to positive work outcomes like affective commitment (Van Dyne & Pierce, 2004) and job satisfaction (Janssen & Van Yperen, 2004). As it was not clear from the two studies how justice perceptions contribute to favourable work attitudes, further investigation was achieved by introducing the concept of psychological ownership as a mediating factor that connects non-family employees' organisational justice perceptions and affective commitment as well as job satisfaction (Sieger, Bernhard & Frey, 2011).

Psychological ownership is defined as “the state in which individuals feel as though the target of ownership or a piece of that target is theirs” (Pierce, Kostova & Dirks, 2003, p.86).

Feelings of ownership can exist without formal ownership and having similar effects as intended by formal ownership (Pierce, Kostova & Dirks, 2003).

Affective commitment and job satisfaction are described as “the two most commonly researched employee attitudes” (Meyer & Allen, 1991). Despite “affective or emotional attachment to the organisation, such that the strongly committed individual identifies with, is involved in and enjoys membership in the organisation” (Allen & Meyer, 1990, p. 2) recent findings indicate that non-family employees’ affective commitment is positively related to the profitability and survival of family firms (Astrachan & Pistrui, 2002).

Moreover, the development of family and business identities affects non-family employees’ work perceptions and attitudes. In the case that family and business identities within a family firm are integrated entities, non-family employees may have limited access to managerial prospects, the decision-making process and participation to the governing board (Lubatkin, Schulze, Ling & Dino, 2005).

However, non-family employees are likely to play a more important role in family businesses when the business and family identities are separate (Sundaramurthy & Kreiner, 2008).

Specifically, a high degree of integration between the family and business identities may lead to dysfunctional consequences in family businesses, since it implies competing roles and behavioural expectations for non-family employees and family members (Steier, Chua & Chrisman, 2008). Therefore, it is likely that non-family employees have a different identification than family members who can claim the family identity (Carmon, Miller, Raile & Roers, 2010). Thus, the development of a ‘family business meta-identity’ (Shepherd & Haynie, 2009) constitutes an opportunity for family business owners to create organisational identification where non-family member employees could perceive themselves as similar in

values, beliefs and attitudes with family member employees and as treated fairly (Carmon, Miller, Raile & Roers, 2010).

Given the nature of the family business, it seems that non-family member employees try hard to determine their role within the family business. Their non-family member identity results in an out-group status (Carmon, Miller, Raile & Roers, 2010), as non-family employees' perceive themselves as not being part of the family and subsequently as not being treated as a family (Barnett & Kellermanns, 2006). According to Barnett and Kellermanns (2006), this particular perception implies that in the context of a family business, different policies and procedures may exist for family and non-family employees, regardless of their contribution in effort, time and resources.

Hence, and given the predominance of non-family employees in family firms, developing and maintaining their commitment and loyalty is one of the highest priority concerns of family business owners (Chua, Chrisman & Sharma, 2001). In fact, it is important to understand the thinking patterns necessary for non-family employees to work in a way that contributes to the improvement of business compatibility and effectiveness, especially taking into consideration the additional complexity imposed with the integration of the business and family systems on the cognitive expectations of non-family employees. This involves the mental processes on the perceptions of the family and business goals that non-family employees face and need in order to successfully manage everyday transactions in family businesses (Mitchell, Morse, Sharma, 2003).

In addition, Mitchell et al. (2003) transaction cognition theory (Mitchell, 2001), supports that family productions planning cognitions, family stakeholders planning cognitions, family performances planning cognitions, family promise cognitions, family alignment cognitions, self-interest cognitions, and work proportion cognitions determine the transaction cognitions that accompany successful relationships between family and non-family members in family businesses. Commenting on non-family employees' transaction cognitions, Astrachan and

Keyt (2003) support that indeed, classic tensions in family businesses have been identified as differences in goals and expectations between the people involved.

Nevertheless, due to the mass retirement of baby boomers across professions and industries (Hewitt, 2009), according to Athey (2004) the traditional linear process of talent development (employees are acquired, deployed, developed and then the focus shifts to retention) is insufficient to retain the talent needed to function effectively. Therefore, succession planning needs to be informed by the people in a business and driven by organisational needs. Usually, when most family businesses embark on succession planning, they tend to focus on the job titles of their organisational charts, instead of adopting future-oriented and strategically driven criteria that concentrate on the key skills and competencies needed to lead the business successfully (Guinn, 2000). Existing personnel may have undiscovered capabilities and talents that may not have been observed in their current roles. Hence, investing in existing employees and working to improve their skills can prove hugely beneficial to an organisation – not only in terms of money and time savings but in terms of employees' deeper commitment to an enterprise that demonstrably invests in them and their route to achieving personal ambitions (Seymour, 2008). Indeed, human capital involves not just knowledge and skills but individual attitudes and motivation as well. Family businesses can achieve an alignment of interests between individual human capital and organisational goals, sustained by adaptability mechanisms (Dawson, 2012).

Still, capitalising on an employees' ability to be innovative constitutes a way for organisations to become more innovative. In this context, various behaviour constructs such as rewards, recognition, and providing vision have been shown to affect employees' innovative stimulation. Moreover, employees who are allowed to have external contacts – e.g. with customers – seem to generate new ideas more easily (De Jong & Den Hartog, 2007).

Although family firms recognise that good succession planning results in leadership continuity, employee turnover reduction, an increase in key personnel retention and

improvement of financial results (Barnett & Davis, 2008), they often fail to prepare managerial personnel for future leadership positions. For example, incorporating leadership development and succession planning responsibilities into managerial performance appraisal criteria could ensure that succession planning is a top priority among professional managers (Kilian, Hukai & McCarty, 2005). Furthermore, Conger & Toegel (2003) recommend the implementation of multiple learning experiences and action projects representing core leadership development methods, whereas Groves (2007) suggests a best practices model that enables professional managers to develop their leadership pipeline. Croteau & Gordon Wolk (2010) argue that developing career paths for highly talented staff members and engaging them in succession planning is a long-term human capital investment with a powerful return. Besides, the integration of succession planning with both coaching and mentoring programmes is an inevitable outcome of the modern organisation's need to manage its talent pool in a way that reflects the dynamics of its workforce and its markets (Clutterbuck, 2005). In addition, Hills (2009) states that when developing people for succession, a mix of experience, coaching and formal learning provides a comprehensive approach to readiness. Research has also shown that the implementation of succession planning linked to profit-sharing schemes for non-family managers enabled family companies to embark on strategic long-term business development and keep non-family talented top management satisfied and geared towards new revenue streams and growth (Konis, 2008). As Tremblay & Roger (2004) support, people in managerial positions have more positive attitudes towards their job and increase work involvement because they enjoy greater prestige, greater independence, greater control and sense of being part of a team, as well as a form of freedom from hierarchical control.

### **The case of owner-managers as important stakeholders in family firms**

Studies focusing on the emotional and value-based dimension behind family business owners' behaviour indicate that family business founders consider the family business to be part of their identity and their most significant creation. They view it as an extension of themselves, and as such their commitment to the business is very high (Handler & Kram, 1988; Miller, Steier & Le Breton-Miller, 2003).

In particular, family firms are characterised by long-term orientation, strong family values, extraordinary commitment and the desire to keep the family business alive across generations (Arregle, Hitt, Sirmon & Very, 2007). Moreover, one of the main characteristics of family businesses is that ownership has a special meaning for founding managers, involving a strong personal factor. And when a business is transferred within the family, the financial capital is transferred together with a social and cultural capital that enhances personal commitment to the family (European Commission, Enterprise and Industry Directorate-General, 2009).

In addition to the above, as organisational culture is created by the founder's ideas, perceptions and values, first-generation organisations face the dilemma of how to secure unique organisational cultural elements during the transition to subsequent generations (Shein, 1995). It is clear that faithfulness to core values is the single variable that distinguishes the long-term success of great family companies and that the critical task of succession is transferring the knowledge of the previous generations (Hilburt-Davis 2005).

Nevertheless, despite the fact that management succession is the most important concern of family business leaders (Chua, Chrisman & Sharma, 2003) and succession planning is the most important ingredient for a successful family business in the long term, little attention is paid to such planning (Miller & Le Breton Miller, 2005). Succession planning appears to be left to chance by many owners of family-owned firms (Rue & Ibrahim, 1996). As such, it poses one of the greatest risks to the success of a family business, especially in cases where

the founding generation refuses to let go of the companies they helped build (Kellermanns & Eddleston, 2004).

Research suggests that psychological factors like emotional attachment to the business, feeling of responsibility for the business, and the extent of the effort invested in it influence family members' psychological willingness to remain in the business (Sharma & Irving, 2005) and persist, even if it is no longer profitable (Salvato, Chirico & Sharma, 2007).

Although the interest in the psychology of family business has decreased and organisational characteristics have become important in explaining family business performance and behaviour (Bjornberg & Nicholson, 2007), examining topics such as motivation, power and authority, team spirit, leadership and conflict resolution would offer a better understanding of the psychological dimension of family businesses (Pieper, 2010).

Another common factor among family businesses is that owner-managers adhere to traditional ways of thinking and acting, despite the fact that the secret of a successful family business is to engineer a metamorphosis that will turn a traditional company into an entrepreneurial operation in tune with the fast-changing business environment (Molyva, 2008). Therefore, the challenge for a family business is to minimise the negatives and maximise the positives of family ownership, and tap into the market for new talent (Panayiotou, 2010, cited in PricewaterhouseCoopers et al, 2010).

Research reports that discuss the degree of entrepreneurial behaviour in family businesses are often ambiguous. On the one hand, family-owned firms are characterised as conservative, risk-averse and cautious against innovation (Naldi, Nordqvist, Sjöberg & Wiklund, 2007) due to the family's prime interest in ensuring earnings for the next generation. On the other hand, family businesses are referred to as innovators (Zahra, 2005), as they tend to venture into new markets to ensure future survival.

In fact, the central role and the power of the founding entrepreneur through highly centralised decision-making (Kelly, Athanassiou & Crittenden, 2000) have an important impact on the

way business is conducted. As the predominant form of business nowadays is the private family business that is both owned and managed by family members (Astrachan & Shanker, 2003), many of these businesses, especially first generation SMEs, rely on a single family member – i.e. a president or a CEO – who has authority over decision-making (Feltham, Feltham & Barnett, 2005) and controls all factors involved in business operations.

However, the need to control power gives rise to conflicts in many areas of business practices. For example, the interdependence of family and business leads to conflicts between the liquidity needs of the family shareholders and the control over the business (Barca & Becht, 2001). Conflicting interests also arise between controlling shareholders and minority shareholders (Faccio, Lang & Larry, 2002).

In relation to mergers and acquisitions, activity in the category of family businesses is significantly low (Jaskiewicz, González, Menéndez & Schiereck, 2005). It seems that family-owned businesses prefer to keep a high level of independence, in their effort to maintain ownership and control over the business (Abdallatif, Amann & Jaussaud, 2010). In addition, research suggests that small- and medium-sized family firms demonstrate a lower propensity for establishing cooperation agreements when compared with non-family firms. This observation is influenced by two factors: the first is trust, and the second is the resources that would be used in the cooperation. It is also indicated that the propensity to cooperate increases as family firms survive across generations, whereas it is lower in family firms undergoing a succession process (Pittino & Visintin, 2011).

Furthermore, the strong focus on family objectives, such as ‘keeping the firm in the family’, implies that instead of working together with outside board members, owner-managers of private family firms tend to be vulnerable to escalation of commitment, which leads to business underperformance (Woods, Dalziel & Barton, 2012). Specifically, the corporate board structure and its impact on firm behaviour in general and succession in particular has become one of the most debated issues (Anderson & Reeb, 2004). In this respect, consultants



to family businesses recommend that the owners establish a balanced participation and collaboration of outside and inside directors on the board, in order to benefit from the important yet different roles they play in firm performance (Arosa, Ilurralde & Maseda, 2010). In fact, research findings indicate that outside directors are perceived to be more committed to the board's tasks than family directors, as well as more cohesive and capable of using knowledge and skills (Bettinelli, 2011). Indeed, research findings illustrate that 80% of the first-generation family businesses have a paternalistic management culture, characterised by hierarchical relationships, top management control of power and authority and mistrust of outsiders. In succeeding generations, however, more than two-thirds of these firms adopt a professional management style involving the inclusion or even the predominance of non-family managers in the firm (Dyer, 1988). In addition to the above, Stavrou, Kleanthous and Anastasiou (2005) support that successful intergenerational transitions in family firms seem to involve collaborative family and participative business cultures.

Owner-managers cling to power mainly due to the emotions generated by the succession process, as it forces owner-founders to face their 'natural deadlines' (Le Breton-Miller, Miller & Steier, 2004). They either do not trust anyone else to take control, or they are simply unable to relinquish power (Pountziouris, 2008 cited in Molyva et al, 2008). Indeed, a study conducted by Gagné, Wrosch & Brun de Pontet (2011) showed that founding leaders who did not trust their successor were unable to engage into retirement planning. Even in cases where business owners anticipate a change of ownership, they expect the business to remain in the family, and they believe that the best way to retain senior executives is to pay them well (PricewaterhouseCoopers, 2011).

In fact, the great majority of owner-managers count on their children to take over the business, which is not always the best exit strategy for them to maximise the value of their business. Only rarely do family business owners want to escape from the family model (and its associated nepotism), despite the valid reasons for a family-owned business to bring in professional managers or professionalise their current management team. Such reasons

include the lack of managerial skills among family members, the need to change existing norms and values of business operations, and the will to develop management expertise for leadership succession in case no one in the family is willing to undertake the business management after the founding leader's exit (Aronoff, McClure & Ward, 2003).

Even the positive effects on family firms' performance that are associated with the presence of family managers do not appear powerful enough to compensate for the disadvantages stemming from the lack of professionalism in decision-making, the need to solve conflicts between family managers, and the fact that it is impossible to enlarge the company's social and intellectual capital without the employment of non-family managers (Sciascia & Mazzola, 2008). Nevertheless, differences between the training of owners and values of the family on the one hand and those of the professional managers on the other hand may cause problems further to the transition to professional management (Cabrera-Suárez, De Saá-Pérez & Garcia-Almeida, 2001).

Both Dyer (1989) and Stewart & Hitt (2011) argue that family firms should proceed to professionalise their management in the same manner as non-family companies do. Within the context of professional management in family businesses, professionalisation does not merely imply formal qualifications, training and education, but also the possession of cultural competence, such as the understanding of the family firm's culture (Hall & Nordqvist, 2008). In this respect, research has shown that family values and norms have a remarkable impact on family firms (Astachan, Klein & Smyrniotis, 2002). In addition, studies show that the transfer of organisational knowledge between family and non-family managers contributes to minimising the degree of uncertainty that can arise during the process of professionalisation and improves the founder owner's trust in his or her staff (Maraghini & Riccaboni, 2011).

Furthermore, Chittorr & Das (2007) argue that a smoother professionalisation process and a better succession performance is achieved in family firms where: firstly, planned exit mechanisms for family members have been put in place; secondly, the chosen successor has a

certain pre-experience within the family firm; and thirdly, key professional managers participate in the firm's board of directors and possess moderate ownership, so that their interests are aligned with the interests of the owners.

Having said that, Sardeshmukh & Corbett (2011) point out that successors who perceive new opportunities will balance and combine their family firm-specific human capital gained through experience within the family firm with general human capital acquired through education and other work experience in order to generate new ideas leading to the entrepreneurial opportunity perception. This position is in line with the argument that many family businesses fail over time due to reluctance to seek new opportunities (Ward, 1997). Other research results show that the exploration of new growth opportunities by the family business successors can lead to continuation of the firm (Miller, Steier & Le Breton-Miller, 2003).

Backed by the agency theory, Block, Jaskiewicz & Miller (2011) argue that founder and family ownership contribute positively to firm performance – a fact that supports earlier research by Villalonga and Amit (2006), who found that family-owned firms did not outperform other companies after the founder had left, even though they did while the founder was in charge. In addition, research findings show that family ownership and high expectations of the family firm's leader can benefit the performance of the business, as both factors contribute to the promotion of the family firm's image and to risk-taking (Memili, Eddleston, Kellermanns, Zellweger, Barnett, 2010).

Other research findings suggest that family founders can pass on firm ownership to their families but should consider being succeeded in leadership by professional rather than family management (Block, Jaskiewicz & Miller, 2011). Some previous research (Sciascia & Mazzola, 2008) even argues that a negative relationship exists between family involvement in management and performance, and generalises that this is due to the lack of professional

competencies of family members, the conflicts among family managers, and the orientation toward non-financial goals.

Block (2010) considers family management and family ownership as two different dimensions of family firms. In investigating their influence on downsizing (defined as job cuts above 5%), he reaches the conclusion that family ownership decreases the likelihood of deep job cuts, whereas family management has no impact. Indeed, when sales and profits fall, employment downsizing and cost-cutting are usually among the first reactions of a firm's management (Pollack, 2008). However, since family firm owners are more concerned about their reputation for social responsibility than other business owners, they aim to avoid deep job cuts with negative effect on corporate reputation (Block 2010).

### **Existing literature on Family SMEs and succession issues in Cyprus**

Since organisations do not operate as isolated entities, but within a particular socio-economic and cultural framework (Naumann & Lincoln, 1989), the scene of family SMEs in Cyprus, although in line with the wider global context of small and medium sized family firms, is significantly influenced by local particularities.

Firstly, it is difficult to distinguish between family business and SMEs, as the great majority of SMEs on the island are family-owned enterprises, whether officially registered as companies of limited liability or as economic or commercial entities (Papadopoulos, 2009). Thus, family owned, micro- and small firms are the dominant business enterprise in Cyprus, representing 99% of the business entities (Konis, 2008).

According to the latest Census of Establishments 2005 (published by the Statistical Services of Cyprus in 2007), the average size of a business unit is 4.7 employees. Three out of five enterprises employ only one person, whereas micro-enterprises employing fewer than 10 persons account for 94% of the total number and are all family owned and run businesses.

Other small entities employing 10-49 persons represent 5% of the total number of all businesses in Cyprus. Only 0.8% of the total number of enterprises are medium-sized firms,

employing 50-249 persons, whereas large enterprises employing 250 or more persons are very rare. A Euro barometer survey on entrepreneurship conducted in 2009 revealed that Cyprus is among the countries with the highest rate of businesses that are currently operational or being set up.

Cypriots are more likely than the EU25 average (45%) to prefer being self-employed rather than employed by someone else. Further compared to all other EU Member States, they are the most likely to agree that entrepreneurs tend to take advantage of other people's work, or only care about their own wallet.

Despite the fact that competitive challenges have increased, family business entrepreneurs in Cyprus seem to be reluctant to adopt modern organisational practices and craft a succession plan for the next generation of owner-managers.

In Cyprus, a family business is really a family matter, and the impact of family is assumed to be even more significant, especially given the small size of the country and the close-knit society (Konis, 2008).

A family business survey carried out by the Cyprus Chamber of Commerce and Industry (2004) shows that the succession issue seems to be very strong within a family business. This is demonstrated by the fact that family members are the sole shareholders in 86.7 % of family firms and only 13.3% of firms surveyed had both family and non-family shareholders. The board of directors of 76.7% of the companies participating in the survey consists only of family members. The survey also found that 90% of family businesses had up to three family members in the company's senior management team. It is significant to note that in one third of the companies surveyed, 'senior management' consists of just three 3 people.

Moreover, 73% of the companies responded that the current CEO is likely to be succeeded by a family member. Two-thirds of those surveyed (67%) stated that succession plans are discussed within the family, while roughly the same percentage indicated that succession

plans are approved by all family members (Cyprus Chamber of Commerce and Industry (2004) ).

Although ownership succession is one of the main concerns of family businesses in Cyprus, only 16% of the respondents who participated in a 2007 survey conducted by PricewaterhouseCoopers Cyprus have made a will, while half of the Cypriot family businesspeople surveyed chose not to answer whether they had an ownership succession plan. Of those who responded, 58% said they would pass their business on to the next generation and 29% would sell to another company.

The main issues of concern for Cypriot owners are cash flow, cost efficiencies, reinvestment and succession, although they prefer not to discuss these matters outside the family (Financial Mirror, 2007). Most companies are held by families that do not allow outsiders to manage them, and founding owners remain active until their late seventies (Financial Mirror, 2006). Therefore, the lack of a succession plan contributes to mistrust and conflicts. When the founder-manager is not willing to prepare a systematic plan or give up power, family successors are reluctant to maintain the business (Papadopoulos, 2009). In fact, business survival essentially depends on the viability of each industry, but it also depends on the entrepreneur's philosophy of practice, which pervades the organisation and even society at large (Gardiner, 1985).

According to a survey conducted in 2011 by QPlan management consultants, small- and medium-sized family business owners-managers in Cyprus take decisions based on today's profit, with no strategic long-term plans in the pipeline. Consequently, the issue of succession planning is not among their priorities. When Cypriots refer to the necessity for more professionalism, it is less a question of structure and management and more a matter of behaviour and attitude in business practices (Konis, 2008).

Other issues that create potential conflict in Cypriot family businesses include future business plans, management remuneration levels, performance, monitoring and control, and the issue

of distribution of dividends. Several other reasons can negatively influence the survival of a family business. These include bad management and nepotism, rather than identifying, developing and retaining talented leaders for the future (PricewaterhouseCoopers, 2007). In addition, family business owners are reluctant to change and consequently create a competitive spirit – an action that sometimes leads to conflicts within the family.

### **Advertising Industry and Family Advertising Agencies in Cyprus**

Since this research project focuses on how succession planning (and its absence) affects non-family employees of family-owned and managed advertising agencies in Cyprus, attention also needs to focus on the literature on advertising agencies and management theories.

Since the turn of the century, hundreds of books have been published on advertising. Some are historical and others descriptive in their orientation. Others represent the perspectives of economists, social philosophers, managers, behavioural scientists, and quantitative model builders (Aaker & Myers, 1987). Nevertheless, existing literature on advertising, though valuable and rich, does not address the issue of succession planning as such. Thus, there is no literature offering useful material to construct a coherent framework for developing and re-examining findings of prior research.

What is obvious, is that the 1980s and the 1990s saw the establishment of a number of agency conglomerates. These groupings were set up with the aim of generating economies of scale, to protect agency income from the problems of the marketplace, and to generate additional income. The major conglomerates are international, and the majority of these conglomerates are publicly owned companies. The component agencies within the overall groups are separately managed (Jones 1999). In this context, older American agencies have consolidated their positions over time with mergers, acquisitions and expansions, and it is fair to say that they dominate the business at the global level (Jones, 2000).

Advertising is a complex function of communication. Firstly it draws on theories and practices from many different fields, such as management, media, art, communication,

philosophy, sociology and psychology. Secondly, the advertising industry is composed of three different groups: the two main groups are the advertisers and the agencies. The advertisers, i.e. the clients, are the companies that advertise themselves and their products and services. Advertisers range in size from huge multinational firms to small shops, and in type from service organisations, to industrial firms, to political lobby committees. Advertising agencies (management and team of employees) plan, create, and manage their clients' advertising campaigns and promotional material. The third group, the media, sells time (in electronic media) and space (in print media) to channel the advertiser's message to the target audience (Pincas & Loiseau, 2008).

Since nothing has been written either about the history of Cypriot advertising in general or the history of Cypriot advertising agencies – and in particular prior to 2004 – 'The History of Advertising in Cyprus' published by Laiki Group Cultural Center in 2004 still remains the only publication on the subject. The publication attempts to review the development of advertising in Cyprus from its first appearance in the press in 1878 and documents the evolution of the first advertising agencies on the island. From the eight advertising agencies that were set up during the period from the 1930s to the 1960s, only two still exist today (Laiki Group Cultural Center, 2004). It is important to elaborate on this fact and attempt to translate some of the major reasons behind this decline within the wider spectrum of succession planning:

1. The first advertising agency was set up in the 1930s by two artists, offering mostly creative solutions. As it was totally dependent on the owners' talent, business survival was condemned to failure;
2. Seven out of the eight agencies were established by people who had previous experience as executives in other advertising agencies and left the company to set up their own agencies;
3. Three agencies were passed on to the second generation, but failed;



4. One agency was sold, but after the exit of the owner-manager, his heir wasn't interested in maintaining the business;

5. Only one agency survived and developed into one of the largest agencies in Cyprus under a non-family manager, who unfortunately led the agency into decline.

As advertising activity constitutes a significant economic indicator, it is not surprising that advertising in Cyprus experienced a sharp decline in the wake of the 1974 destruction of the economy that was brought about by the Turkish invasion. This was followed by a significant boost in the 1980s and 1990s, which led to the creation of many new and notable advertising agencies (Laiki Group Cultural Center, 2004).

Advertising agency owner-managers in Cyprus are well educated and understand the essence of the advertising / communication discipline. As such, they are expected to be open-minded pioneers who realise that the status of ownership and governance is as fundamental in small family advertising agencies as in any other small- and medium-sized family business.

However, in this fiercely competitive arena, micro, small and medium-sized family advertising agencies cannot remain comfortable in their niches. The failure to address succession planning at an early stage may put a business unit at risk in respect of business performance, development and long-term growth, and above as regards the availability of talented professional executives.

## **Conclusion**

Overall, this review has revealed a positive trend in the field towards more sophisticated research that is based on conceptualisations emanating from theory (Sharma 2004) or a combination of theories and highlighting multiple fruitful areas of research that address the challenges facing family firms.

Although family businesses have long been playing an important role in the socio-economic development of countries worldwide (Klein, 2000), family business studies have only been

viewed as an academic discipline in its own right since the early 1990s (Moore, 2009).

Reflecting on the past and future research on family businesses on the occasion of the 25th anniversary of the *Family Business Review*, Sharma, Chrisman & Gersick, (2012) attempted a review of the scope of family business studies; the primary interest of the field in its early years was the study of the organisational form of small to medium-size family firms operating within the ownership, management and family systems (Davis, 1982).

The interest in small- and medium-sized private businesses continued until the late 1980s and early 1990s (Sharma, Hoy, Astrachan & Koiranen, 2007). In the late 1990s, researchers began to investigate the influence of ownership, management and family on the behaviour and performance of the largest private and public family firms. Although several useful models have been developed to explain the complex interrelationship between family and business, a holistic model to include all relevant subsystems of family business remains elusive.

Prompted by this lack, Pieper & Klein (2007) suggest the development of an open system will enable an integrated study.

Although the topic of succession planning dominated in the 1980s and 1990s, other issues such as conflict, firm's performance, governance, professionalisation, internationalisation, innovation, business and family dynamics, as well as gender were also explored by different authors.

Aronoff (1998) identifies 10 new trends emerging in the family business universe since the nineties, including generational transition replacing succession planning, professional non-family management replacing family-member managers, increased financial sophistication, and family business education and consulting. Despite the fact that Aronoff wishes those trends would lead to changes in 'best practices' for family businesses, their usefulness remains debatable (Dana & Smyrniotis, 2009). Moreover, Casillas & Acedo (2007) stress, with few exceptions, the lack of theoretical framework and deeper understanding, and the need for

further research as well as consideration of new topics that have been identified (Craig & Salvato, 2012), such as family capital, new venture creation and institutional contexts.

To conclude, the review of relevant literature on family businesses and succession contributes to the structuring of this study's methodology. The review identifies areas to be explored and defines the framework for research. At the same time it enables the researcher to build a working knowledge of the research field and evaluate possible research methods.

## **CHAPTER 3**

### **METHODOLOGY LITERATURE, DESIGN AND PROCEDURE**

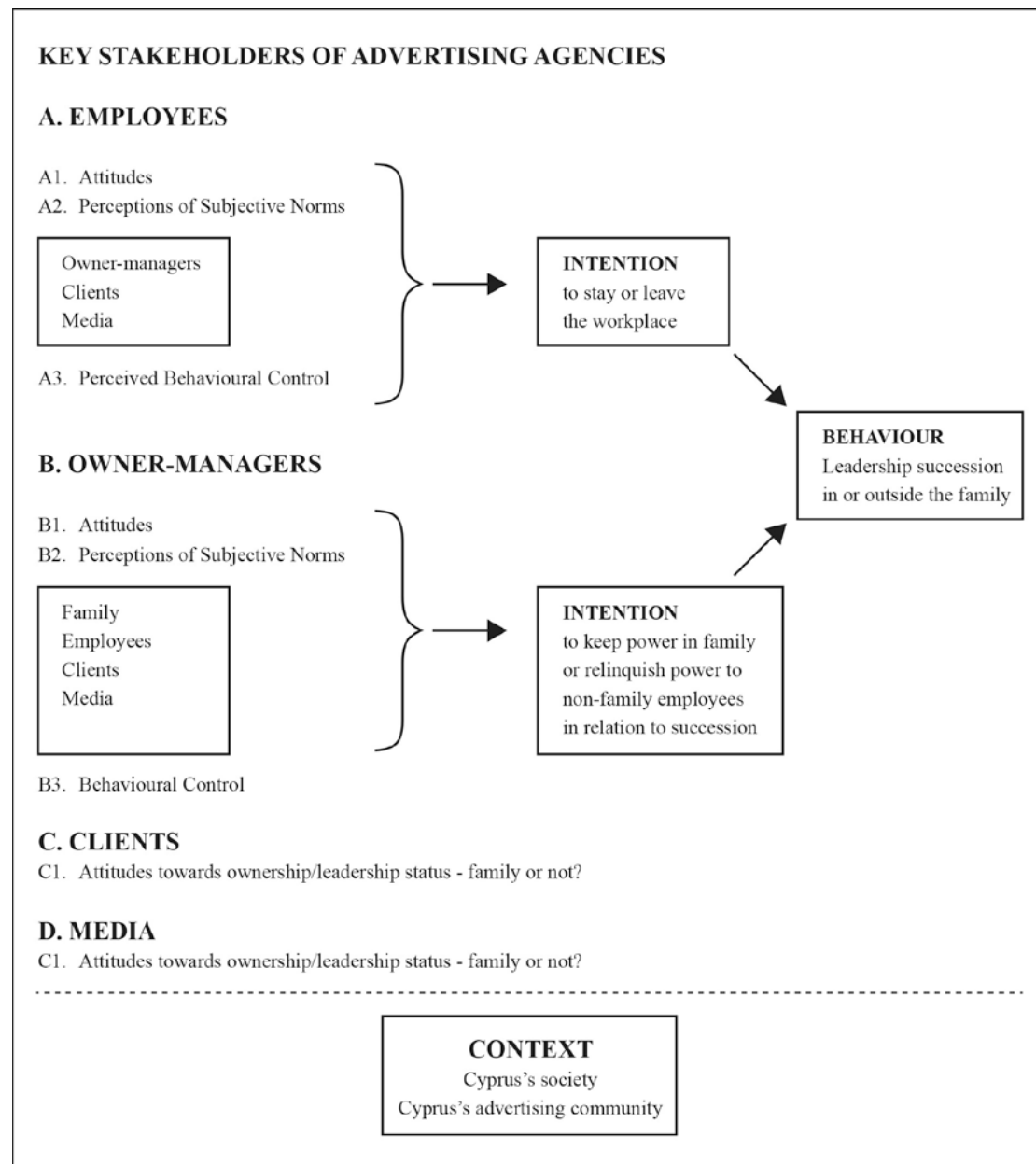
Social research is about people in groups, processes and tendencies, phenomena and actions in certain social settings in the real world that the researcher seeks to answer through the collection and analysis of firsthand, verifiable, empirical data (Schutt, 2004).

In epistemological terms, empirical knowledge on the subject under study is based on the researcher's day-to-day operating paradigms as insider-researcher and practitioner, on facts determined subjectively either through the researcher's personal engagement in working procedures in a family owned and managed advertising agency, or through the observation of the attitudes and behaviour of relevant stakeholders in the advertising field in relation to succession. A subsequent critical reflection on personal experiences at the workplace, as well as on the results of certain observations in the wider professional community, led the researcher to the construction of empirical knowledge on the topic of succession planning in family advertising agencies (Popper 1972, cited in Thornton et al, 2009).

Moreover, the theoretical background of the particular research topic was drawn from the highly prevalent original theories of Ajzen's (1991) Theory of Planned Behaviour and Freeman's (1984) Stakeholder Theory, as well as from Hofstede's (1997) Cultural Dimensions approach, discussed in detail in the literature review p.p. 35-40. Based on this theoretical background, the research model was developed as shown in figure 1 and provided the basis for the elaboration of a questionnaire used in the process of this research project.

**Figure 1 Study's model –**

Whose attitudes and perceptions in the workplace zone should be taken into consideration when examining advertising agencies' leadership succession?



As shown in the study's model (Figure 1), certain dimensions form the study's context and will be investigated as follows:

A1. Attitudes of non-family employees in advertising agencies as important stakeholders; A2. Opinion of non-family employees regarding the perceptions of advertising agency owner-managers as well as the perceptions of clients and media as subjective norms; A3. Perceived behavioural control of non-family employees in advertising agencies;

B1. Attitudes of owner-managers of family owned advertising agencies as important stakeholders; B2. Perceptions of Advertising Agency owner-managers of family members, employees, media and clients as subjective norms; B3. Perceived behavioural control of owner-managers;

C1. Attitudes of clients of advertising agencies as important stakeholders;

D1. Attitudes of media people as important stakeholders.

Research will combine Ajzen's Planned Behaviour theory with Freeman's Stakeholder Theory to map out whose perceptions and attitudes should be taken into account when examining leadership succession in family owned and run advertising agencies in Cyprus. Thus, this study will look at four important groups of stakeholders at work: non-family employees, owner-managers, clients and media. An exploration of the perceptions and attitudes of the above four (4) stakeholders will provide a framework for the deeper understanding of the interpersonal and group dynamics that take place in owner-managed advertising agencies, as well as the extent to which they can influence the decision as well as the content of a leadership succession plan.

The focus of the study will be on the business behavioural intentions of the two main groups of important stakeholders in advertising agencies, in connection with family business leadership succession outside the family: non-family employees and owner-managers.

In accordance with the study's model, along with important stakeholders come the subjective norms and the people in the important stakeholders' business and family environment (clients, media, owning family), as the perceptions of the latter may influence the behavioural intention of the former.

Finally, the context of Cyprus's society and culture will be investigated in consistency with Hofstede's (2001) Cultural Dimensions approach.

### **Philosophical assumptions**

When researchers set out to investigate the social world, their research is based on philosophical assumptions about how the social world can best be investigated. Thus, having reviewed dominant schools of thought, the theoretical perspectives behind this given study draw on pragmatism (DPS 4561 Resource handbook 2010/11) and constructivism (Schutt, 2004).

The pragmatic approach looks to different paradigms (deep-rooted set of perspectives normally including ontological and epistemological position and a set of values for operating in the world) than more traditional research approaches. Pragmatism is more concerned with problem-based inquiry and action research. Simply put, pragmatism looks at research from a prescriptive-driven perspective. Solutions to problems that actually occur in the complex field of practice are developed in a way that, while valid for a specific situation, need to be adjusted according to the context in which they are to be applied. Indeed, a pragmatic paradigm can steer this research project since the issue of succession planning in Cyprus's advertising community necessitates the implementation of a problem-solving approach leading to the modernisation of tradition-based organisational practices and procedures towards succession, currently implemented in the operational context of family owned advertising agencies.

Constructivism regards reality as being individually and socially derived, while knowledge is seen as an individual construction that can be subject to consensus. The researcher is regarded as an involved participant who seeks to give voice to the experiences and perceptions of the other participants, and a strong assumption exists

towards achieving authentic reflections of participants' subjective reality. The constructivist paradigm emphasises the importance of exploring how different stakeholders in a particular social setting construct their beliefs. Also, this constructivist inquiry implements an interactive research process in which the researcher begins an evaluation in some social setting by identifying the different interest groups. That is precisely what this work-based project intends: to investigate and evaluate the attitudes, perceptions and beliefs of important stakeholders identified within the advertising community of Cyprus, in particular towards ownership, leadership and succession, and to subsequently integrate them in the development of the proposed succession planning framework.

In the context of the present research project, other theoretical approaches such as positivism, post-positivism, critical theory and participatory paradigms (Costley, Elliot & Gibbs, 2010) are not appropriate for this study's working perspectives due to their philosophical ground: Positivism and post-positivism state that reality is external to us, suggesting that we can never be sure that we have understood reality properly; critical theory regards reality as shaped over time by various social and cultural values, and knowledge is subject to individual and cultural construction; participatory research is basically a collaborative activity by a community of enquiry and excludes the researcher undertaking research on others. As such, the main assumptions of the above-mentioned approaches are not suitable for the development of knowledge in this given social research study as they do not reflect the research project's positioning as a work-based project where the insider researcher practitioner investigates a current issue, such as succession, which concerns advertising agencies in Cyprus.



## **The role of the insider-researcher**

Being an insider-researcher brings both advantages and disadvantages. On the one hand, advantages emanating from the researcher's position and status (Costley, Elliot & Gibbs, 2010) within the area of her professional expertise include thorough and detailed knowledge of both her work organisation and professional community, day-to-day access to key people, and insights into ways of working and current issues that would not be available to outsiders (Costley, Elliot & Gibbs, 2010). Thus, by analysing and taking into account the perceptions and attitudes of all important stakeholders at the workplace towards leadership succession, research will make the kind of difference that is distinguished by modern entrepreneurial thinking.

On the other hand, disadvantages include inadequate ability of the researcher to remain detached from the perspectives and values of the organisational community, from conflicts between the results of the research and the interests of the community, and from pressures to conform to the interests of this particular community. Indeed, being a participant in a work-based project and not a detached observer presupposes the right blend of personal and professional interests, as well as adoption of a reflexive approach to work that enables the researcher to observe both causes and effects of actions, without bias.

In addition, developing this study in the context of the researcher's work organisation implies the management of tension between practice and research. In fact, as research may challenge the current way of thinking as far as it concerns leadership succession, reconciliation of personal and ideological perspectives with the existing dominant attitudes, cultural biases and ideological structures is necessary. Since organisational values will be examined from the researcher's personal and professional perspective as a practitioner researcher, judgments in relation to the politics and culture of the work organisation and evaluation of existing values should be made in such a way that the research outcome appears worthwhile in terms of new information and positive impact, not only on the specific workplace but also in the wider

professional arena. As a result, a healthier organisational culture may be established in terms of increasing productivity, growth, efficiency, and reducing employee turnover and other counterproductive behaviour – factors that translate into an overall better performance and organisational success (Quick & Nelson, 2009). Additionally, performance oriented cultures that have been shown to possess statistically better financial growth (Hayes, 2010), enjoy high employee involvement and a strong internal communication structure in order to achieve innovation.

As research will provide a leadership succession model based on the perceptions of stakeholders other than the owner-managers, politics in respect of conflicting interests between the owner-manager of the researcher's work organisation and the expected research outcome may be a challenge. In order to produce a new model that satisfies all four major stakeholders, the diverse power interests of the particular stakeholders must be objectively assessed with a commitment to integrity in research. At the same time, the researcher must manage her dual role in relation to work colleagues and other participants in the research. Since research will be undertaken within the advertising community, it is important to manage any tensions or ethical implications by safeguarding confidentiality and sensitivity towards everyone involved in the research project.

### **Methodological Approach**

The choice of methodology aims at gaining knowledge. It must be consistent with what research is aiming to achieve and linked to the expected outcomes (Fox, Martin, & Green, 2007).

The aim of the project under research is to propose a workable, realistic framework of succession planning within the operational context of an advertising agency, while mapping the perceptions, values and intentions of major stakeholders towards the issue of succession. Thus, research will investigate and gather information on factors that come into play in the advertising field in relation to succession in family owned and managed advertising agencies

in Cyprus. Research will also seek to understand the stance of stakeholders towards ownership-leadership by analysing their experiences and expectations in the real world of practice.

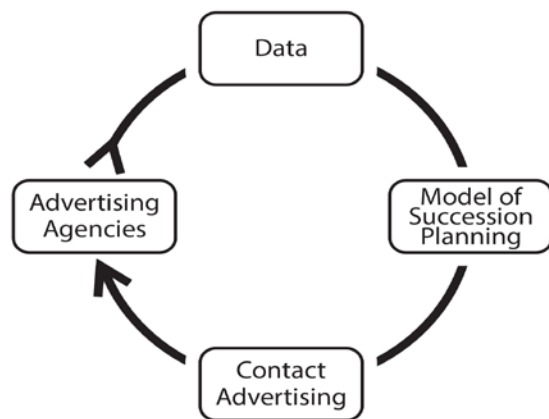
Therefore, in the context of this work-based project, methodology builds on philosophical assumptions, as discussed earlier, and draws on two approaches: action research and phenomenology derived from pragmatism. Since this work-based project's ambition is to develop a new way of thinking and practicing management by proposing a problem-solving related approach in the form of a model for leadership succession in advertising agencies, it is construed mainly as an action research project (Costley, Elliot & Gibbs, 2010). Indeed, action research is a practical and empirical approach addressing access to a real world project, willing to try out a proposed framework of improved practice. As the name suggests, action research is a methodology which has the dual aims of action and research: action to bring about change in some community or organisation or programme, and research to increase understanding on the part of the researcher and often some wider community (Burns, 2007).

In particular, action research involves the process of actively participating in an organisational change situation while conducting research (Reason & Bradbury, 2001). The researcher is actively engaged in the process under investigation, as is the case for the insider-researcher of a work-based project. It is also a collaborative method to test new ideas and implement action for change while, in its core, action research is a way to increase understanding of how change in one's actions or practices can benefit a professional community (Sagor, 2004).

Moreover, action research in most of its forms, involves the use of a systematic cyclical method of planning, taking action, observing and data gathering, evaluating, reflecting and decision-making (Costley, Elliot & Gibbs, 2010). The form of the 'plan-do-study-act' cycle used for business process improvement (Costley, Elliot & Gibbs, 2010) was used in the context of this work-based project. Indeed, the insider-researcher, as shown in Figure 2 below, approaches research following the stages of: reviewing her community of practice and

identifying succession as an aspect that needs investigation; collecting data from family advertising agencies in Cyprus; interpreting data and designing a model of succession planning; testing the model at Contact Advertising, her workplace, evaluating it according to comments and proposing it to the advertising community.

**Figure 2 The action research cycle**



The project also draws on aspects of phenomenology (Woodruff, 2008), since research aims at studying the perceptions and attitudes of major stakeholders in advertising and subsequently taking them into account in the leadership succession framework proposal.

More specifically, the purpose of the phenomenological approach is to identify phenomena based on how they are perceived by the actors in a certain situation. This involves gathering in-depth information on perceptions through inductive qualitative methods, such as interviews, discussions and participant observation. Furthermore, phenomenological approaches emphasise a focus on understanding subjective experience and interpretations of the world, gaining insights into people's motivations and actions, and cutting through the clutter of taken-for-granted assumptions.

The project also draws on hermeneutics. The interpretation of meaning being at the center of social inquiry – which is what this project intends to do – calls on the hermeneutic tradition,

which is the study of the theory and practice of interpretation originating in religious studies and social philosophy with its main concern being the understanding of texts (Sherratt, 2006). This tradition was subsequently developed to include other forms of expression, such as discourse and interview records, and goes beyond the surface to understand the context in which reality is explored (Costley, Elliot & Gibbs, 2010). Moreover, the hermeneutic approach holds that understanding the actions of actors requires an interpretation of the meanings that such actors assign to their own prior actions and those of other social participants as well (Sherratt, 2006). In fact, this research study is interested in grasping the meaning behind the actions of the main stakeholders in advertising agencies towards succession planning and understanding the driving force of such actions.

The nature of this project is not linked to other research approaches such as grounded theory, experimental research or survey-based research, soft systems methodology, or hermeneutics (Costley, Elliot & Gibbs, 2010). The grounded approach, for example, regards theory as growing out of data; in this case, it is not the purpose of this particular research project to generate a new theory. Experimental research treats reality as objective (Costley, Elliot & Gibbs, 2010) and takes the form of assessment of an action undertaken in controlled conditions. Thus, it does not reflect the situation of the social groups researched for the purpose of this study. The basic principle of most survey-based research is to take a sample for study from an overall population and through the use of statistical methods to make inferences that are representative of the population as a whole. Therefore, survey-based research does not fulfil the needs of this research project. Soft systems methodology is considered to be a very precise process methodology and treats the notion of system as an epistemological rather than ontological entity and examines it from a spec. Thus, it does not satisfy the requirements of the given study research which demands more flexible methodological approaches, appropriate to explore social group perceptions and attitudes.

### **Strategy of inquiry**

The researcher's methodological thinking has been shaped by her assumptions on how the issue of succession planning can be best investigated in order to reach the set aims and objectives. According to the present study, examining the beliefs, perceptions and habitual attitudes of major players towards succession in advertising agencies, as well as the factors underlying the behavioural intentions of key players, may help clarify the fundamental features behind a feasible framework of leadership succession. Therefore, qualitative research is adopted since qualitative methods such as participant observation, intensive interviewing, and focus groups are designed to capture social life as participants experience it, rather than in categories predetermined by the research (Patton, 2002). In particular, as a study that takes into account all major stakeholders at work has not been conducted before, predetermined categories cannot be used. Also, this kind of knowledge would not likely emerge from quantitative methods of studying that, by contrast, deal with numerical measurements. Indeed, data that is treated as qualitative covers mostly written and spoken words or observations that do not have a direct numerical interpretation (Schutt, 2004).

## **Qualitative Methods of collecting data**

Given the above discussion, in order to collect data on the insights, intentions and actions related to succession of the groups of investigation, research was based on methods that are coherent, practically and ethically feasible, and capable of providing the study with in-depth and valid information. In the case of this project, semi-structured interviews and focus groups (Gibbs, 1997) are considered to be the right methods to collect data and information, guided by the qualitative statements that emerged from the literature review process and the subsequent study's model.

### ***1. Semi-structured interviews.***

Because of the chosen research topic, the participants were not oriented by a priori well-designed questions. Rather, they could react more naturally to a set of questions, the dimensions of which were explored and developed along the way. Thus, gathering data through this type of qualitative research method relied on open-ended questions followed by more structured ones, when needed. Rather than asking standard questions in a fixed order, the content and order of questions varied from one interviewee to another, according to the interviewee's personality and role, and consequently the style of discussion. For the needs of this research, semi-structured interviews constituted a very appropriate method to collect data on the experiences and perceptions of participants in relation to managing or dealing with a family business, as well as in relation to succession planning. Given the novelty of the topic under discussion, combined with the fact that it involves reflection on personal values, beliefs and attitudes, such interviews provided the participants with flexibility in responding and expressing their opinion, while keeping them focused by addressing specific questions in response to a general answer.

For the study's needs, twenty-two (22) participants were invited for an informal interview: twelve (12) owner-managing directors of advertising agencies, five (5) clients and five (5)

media representatives. Together they provided the context to clarify their attitudes and perceptions when it comes to succession. The researcher also investigated the behavioural intentions of owner-managers and non-family employees in relation to succession and its consequences.

#### *a. Owner-managers*

Owner-managers are important stakeholders in their business entities with an investment and direct interest in the company's activities, but according to the research model, their perceptions of subjective norms shape their behavioural intention and behaviour. Thus, for the purpose of this project, research will examine first the attitudes of owner-managers of advertising agencies towards the succession planning of their family business; second, their perceptions regarding the opinion and attitudes on succession-related issues of main players involved in the family business, such as the family, employees, clients and media; and third, the extend to which managerial behaviour is influenced by established values and beliefs.

#### *Selection of sample and demographics*

A convenience sample was used, consisting of owner-managers of small and medium-size advertising agencies based in Nicosia and Limassol, with annual turnover ranging between 3 and 9 million Euro. A total of 12 interviews were conducted at a time and place suitable for the respondents, covering almost half of the registered advertising agencies in Cyprus. The sample includes first and second-generation owner-managers, and the age of participants ranged between 35 and 65.

Fieldwork was conducted between the 9<sup>th</sup> of January 2013 and 12<sup>th</sup> of February 2013.

#### *b. Clients*

Since meeting clients' expectations is a prerequisite to ensure a successful agency-client relationship, the objective of this client side part of the research is to examine what clients want and what they think of owner-managers and personnel of advertising agencies, which



factors they believe contribute to a fruitful agency-client relationship, and what clients believe regarding succession in a family-owned advertising agency.

#### *Selection of sample and demographics*

The study was conducted through semi-structured interviews with marketing managers of companies that cooperate with different family-owned advertising agencies, as these are the individuals who communicate with the agency. The selection was made at random among companies who are based in Nicosia and have more than 50 employees, as mostly companies of this size are able to undertake advertising activities. Moreover, the companies participating in the sample come from the banking and insurance industry (2 persons), the consumer fast-moving products sector (1 person), as well as the educational and retail industry (2 persons). According to the latest 2013 ACNielsen research data, 90% of the total advertising expenditure in Cyprus derives from these sectors.

The interviews were conducted at a time and place suitable for the respondents. A total of 5 interviews were conducted between the 14<sup>th</sup> of January and the 2<sup>nd</sup> of February 2013.

#### *c. Media*

The media section investigates the attitudes and opinions of media people regarding owner-managers and non-family employees in advertising agencies. In particular, interviews focused on how the ownership-leadership status affects the business relationship between advertising agencies and media outlets, and what role this status should play in the company's succession planning.

#### *Selection of sample and demographics*

The study was conducted through in-depth interviews with the marketing directors of 5 of the 7 main media groups (in terms of audience and advertising spending share and number of employees) that exist in Cyprus. These are the Fileleftheros Group, Dias, Ant1, Mega, Eidikes Ekdoseis. In addition, the above-mentioned media groups' share of total advertising

expenditure is monitored by 2 research companies, namely AGB and RAI, appointed by both the advertising agencies and media groups. Fieldwork was conducted between the 3<sup>rd</sup> and 10<sup>th</sup> of February 2013. The profile of the media groups participating in research is as follows:

Fileleftheros, a family-owned media group, is the leader in all categories of publications such as daily press, lifestyle and specialised magazines and TV guides, in terms of number of titles and share of total readership, a fact that allows the Group to enjoy more than 50% of the total spending on print advertising. Furthermore, Fileleftheros expanded 5 years ago into radio and online media, thereby gaining a significant market share. More than 150 people work for Fileleftheros.

The Dias group owns a large number of companies in various mass media such as television, radio, press and magazines, online media, representing 33% of the electronic media and securing about 35% of the total advertising expenditure in Cyprus. The Group employs about 300 people in all fields.

The Ant1 group deals with television, radio and online media. Ant1 TV is associated with Ant1 Greece, represents 25% of the total TV viewing in Cyprus, and attracts 27% of advertising spending. Ant1 in Cyprus employs 100 people.

Mega Cyprus TV and Radio is partly associated with Mega Greece. TV broadcasting and production are the main activities of Mega. With 80 employees, it attracts 18% of total TV viewing and roughly the same percentage of advertising spending.

Eidikes Ekdoseis, a relatively young, family-owned media group, specialises in lifestyle publications, music radio and invests in the expansion of online media beyond the borders of Cyprus. The group employs 70 people and has a market share of about 15%.

## ***2. Focus groups***

Focus group research involved organised discussions with a selected group of individuals to gain information on their views and experiences of a topic and obtain several perspectives through discussion about the same topic (Greenbaum, 2000). Also, the main purpose of focus groups is to draw on respondents' attitudes, feelings, beliefs and reactions that are more likely to be revealed via the social gathering and the interaction that a focus group entails. In addition, focus groups elicit a multiplicity of views and emotional processes within a group context and enable the researcher to gain richer information in a shorter period of time than if it followed a one-to-one approach only. Thus, by asking open questions and challenging participants on the topic under discussion, the researcher is able to reveal opinions and experiences leading to evaluation and conclusions (Patton, 2002).

Therefore, in the context of this specific project, focus groups provide the dynamics to explore the participants' views and beliefs regarding the existing organisational culture and practices, as well as their considerations in relation to succession planning in family-owned advertising agencies that when integrated in a leadership succession framework may contribute to change of current practices and allow progress.

The objective of the employee participation in this research's focus groups is to examine a) succession and other related issues in family-owned advertising agencies from the point of view of employees as important stakeholders; b) the employees' perceptions regarding the beliefs and behaviour of advertising agency owner-managers, clients and media people as subjective norms towards the succession planning issue; c) factors that may facilitate or impede the perceived behaviour control of employees in relation to leaving or staying in the company.

The study was conducted through 4 focus group sessions with key employees of family advertising businesses in Nicosia and Limassol, where 99% of registered advertising agencies operate. Each group consisted of 8 persons – men and women aged 30-50.

Although social scientists differ over the optimal number of respondents to include in a focus group, estimates generally range from six to twelve individuals. Too few people may not generate enough active conversation, while too large a group may lead to some participants not having an opportunity to express themselves (Schutt, 2004).

A convenience sample was used in order to maximise honest and sincere opinion expression as participants could speak more freely thanks to the trust and respect they have for the researcher as a person and as a professional. Due to the researcher-practitioner's long-term relationships in the market, it was easy to identify experienced non-family employees of very similar educational level and invite them to participate by using the opportunity sampling technique.

The focus groups took place at a time and place suitable for the respondents and had duration of about 2 hours each. Fieldwork was conducted between the 19<sup>th</sup> of December 2012 and 10<sup>th</sup> of January 2013.

Having demonstrated the reasons for the use of semi-structured interviews and focus groups for the collection of data serving the needs of this project, other techniques of collecting data – like questionnaires and on-site observations – (Costley, Elliot & Gibbs 2010) would not likely meet the project's demands. On the one hand, questionnaires are structured with closed questions that limit responses and consequently the impact of knowledge gathered. On the other hand, observational methods tend to depend on waiting for things to happen, and it takes a longer period of time to gain a large amount of information. Thus, such methods were not feasible, taking into account the available resources. The two data collection techniques above are not suitable, neither to recognise the current underlying attitudes to succession in advertising agencies, nor to provide a better understanding of the dominant perceptions.

## **Data and information analysis**

While data collection is in process, qualitative data analysis begins, since next to field and interview notes, the qualitative analyst jots down ideas about the meaning of the text from which original comments, observations and feelings are reconstructed (Costley, Elliot & Gibbs, 2010).

Similarly, the information analysis took place in this study involved critical discourse analysis (Fairclough, 1995).

This approach views language as a form of social practice and examines how socio-political factors determine the production of insights through language that is evident in content analysis of oral documentation resulting from interviews and focus groups. Specifically, critical discourse analysis studies the relationship between discourse and set of beliefs, attitudes and behaviours that constitute a perspective on the world (Johnstone, 2008). It is based on what we know about the world and is interested in analysing, for example, relationships of power or control as they are manifested in language (Fairclough, 2003). In fact, it is in the interest of this project to examine issues of power and control among the main stakeholders in advertising agencies, as well as how attitudes and beliefs are revealed through verbal expression.

In the context of this study, regarding categorisation of data, the process started with the stakeholders as reflected in the study's model and discussed in the literature review chapter, but key categories emerged from the data; categorisation is mainly about inductive categories.

Moreover, the present study involved a number of steps that formed the basis for data analysis. The first formal analytical step was documentation. All participant responses and field notes were transcribed, listed with identifiers such as name of participant, date and time, and organised by question and topic in order to have an overview across all respondents and their answers and identify consistencies or differences.

Next, after intensively reading the material and assimilating as much of the explicit and implicit meaning as possible, coding and categorisation followed. By systematically working through the data, meanings were identified within the responses of the participants and assigned a code label. Indeed, more general open coding involving larger segments of text is adequate for action research, as is the case in the project under study. Thus, codes were taken directly from what the participants said (in vivo codes) and placed in quotation marks. Then, the long list of codes was reduced to a smaller and more manageable one by constantly comparing the data. Through in vivo coding by assigning labels to a transcribed section of data, concepts stay as close as possible to the research participants' own wording (Flick, 2002). In terms of critical discourse analysis, the researcher began with transcripts analysis considering the ideas and insights behind the words, and filled in the analysis with information on body language and expressions of the research participants as noted by the researcher during interviews and focus groups.

### **Evaluation and Interpretation of Data – Validating the accuracy of Findings**

Before presenting the research findings, evaluation and interpretation of data should be conducted in a way that secures reliability and validity of such findings. In qualitative research, reliability and validity are conceptualised as trustworthiness and quality of research findings (Creswell & Miller, 2000). To ensure both reliability and validity of the given research and determine the accuracy and credibility of the findings, triangulation was used in order to decide which among the identified categories were central, and which less significant or invalid.

Triangulation facilitates validation of data through cross-verification from two or more sources, and it refers particularly to the application and combination of several research methodologies in the study of the same phenomenon (Shutt, 2004). In this study, transcripts were cross-checked among sessions of interviews and focus groups, and examined by age and

sex of the respondents and according to the work position they hold. Moreover, transcripts were viewed through the lens of both phenomenology and hermeneutics.

This eliminated any bias from the researcher's perspectives and increased the researcher's truthfulness (Denzin, 1978) through detailed description of the project's content and expected outcome. In addition, apart from triangulation, both transcripts of data and research findings were given to an external auditor to cross-check defined categories and results.

In turn, the quality of research in terms of reliability and validity may lead to generalisability of the research results (Johnson, 1997). Nevertheless, it is assumed that convenience samples as those used in the present study cannot ensure generalisability of results from the sample to the population of interest (Bainbridge, 1989). However, due to the small size of the advertising industry in Cyprus, the samples selected for this research are considered to be representative of the population of owner-managers and non-family employees of family-owned advertising agencies, as well as of media and clients of such agencies. In addition, to minimise response bias of the research participants, confidentiality was assured a priori by the researcher.

Summarising the above discussion, evaluation assesses the value of information in terms of the criteria of relevance to the purpose of the research and of the robustness with respect to resistance to errors in the results produced by deviation from assumptions (Costley, Elliot & Gibbs 2010). Therefore, at this stage, the information collected for the purpose of the present study was regarded by the researcher as valid and reliable, and no additional data was needed.

Similarly, interpretation of data is a very crucial process since it captures the 'tacit knowledge' of the study participants – in addition to their verbal statements about specific issues involved in the research discussions (Costley, Elliot & Gibbs 2010) – and gives meaning to the data. Moreover, the process of interpretation involves an interaction between the research findings, the researcher's paradigms and expectations, as well as other stakeholders' expectations (Costley, Elliot & Gibbs 2010). Therefore, in the context of this

study, data interpretation presupposed careful and reliable reflection on collected information on the part of the researcher in relation to personal and community perceptions, values and expectations. Also, it was very important to ensure transparency (a clear account of process, adequate commentary on the data, key points illustrated by verbatim quotes) in interpretation, so that the reader can notice very clearly how the researcher's interpretation of the data is related to the data.



## **CHAPTER 4**

### **DATA ANALYSIS AND RESULTS**

#### **A. NON-FAMILY EMPLOYEES OF ADVERTISING AGENCIES**

Employees are key stakeholders of a business, since their performance can dictate whether or not the company survives. Being stakeholders, they also have an interest in the company doing well, as they are primarily affected in terms of their economic well-being. Moreover, employees are influenced by owner-managers' business decisions on the basis of how those decisions relate to employee values such as job security, motivation, satisfaction and fulfilment. Because of the nature of the advertising business, employee job attitudes emerge from other important stakeholder perceptions as well.

##### **A1. Attitudes of Non-Family Employees - Presentation of findings**

How employees feel about work issues can adversely affect organisational success (Smith & Mackie, 2007). By investigating attitudes that employees have developed towards succession matters and other family business related issues, research will identify the factors that generate either positive or negative attitudes and influence employees' behaviour.

## Presentation of findings

**Table A1.1.** Categorisation of responses to the question: What kind of feelings/perceptions are generated while working for a family business? Could we talk about perceptions of injustice or justice, emotional attachment to the company and job satisfaction?

<b>In vivo codes – Respondents' quoted statements</b>	<b>Categories</b>
<p>'I feel safe working in this company because it is a warm family and not at all faceless. They love me and they respect me, giving me personal satisfaction for my efforts and showing it in a tangible way as well. They support me financially but they respect me at the same time as well.' (swb1)</p> <p>'Fewer negatives than positives.</p> <p>I grew up, got married and had children while working at this company. You can realise how big a part of my life it is. I love this company as my own and I cannot imagine ever leaving it.' (swb2)</p> <p>'I have developed such an emotional attachment over all these years in this company that I may have lost opportunities for more money and better career advancement elsewhere.' (swb3)</p> <p>'Because of my emotional attachment to the company, I am forced to obey and accept the owner's unjust criticisms regarding my business decisions that were made after having his approval.' (swb4)</p> <p>'I have to deal with the father, the son-in-law, the daughter and the mother, and I am the outsider who knows little but needs to do a lot. Every day I have to prove my worth and that is exhausting.' (swb5)</p> <p>'The presence of family members in the company diminishes the chance of career advancement for any non-family employee and generates a feeling of unjust treatment.' (swb6)</p>	<p><b>Employee sentiments in a family business</b></p> <p><i>Emotional attachment (subcategory)</i></p> <p><i>Emotional stress (subcategory)</i></p> <p><i>Unfair treatment (subcategory)</i></p>

### **Employee sentiments in a family business**

The range of emotions associated with working at a family business is wide. In all cases, non-family employees agree that they are emotionally attached to the company and the working area. Family businesses foster such feelings by creating a warm, family-style work environment and demonstrating sensitivity in the way they treat their employees.

In many cases, family businesses bring employees closer and unite them in a single working community, instilling a sense of belonging and being an integral part of the team. In fact, 28 out of 32 employees tend to identify with the business and the owning family, and share with them both the success and failures of the company. Such settings help promote the feeling of belonging and increase the satisfaction that employees receive from their job.

The duration of employment at a family business also bears significant impact on the emotional attachment to the company. The greater the number of years of service, the stronger the bond with the business is. According to the employees, this emotional bond can prove stronger than financial and career benefits that are available elsewhere. Indeed, some employees report staying with the same company a long time, even though this may have not been in the interest of their professional advancement and their financial benefit. They feel that what they gained on an emotional level counterbalances lost opportunities elsewhere, as human affection and being part of a business-family seems to be a more important factor in achieving job satisfaction than economic rewards.

Still, in some cases the workforce feels dissociated from the family business. In such companies, there appears to be a rift between the employees and the family members who are owners or members of the managing team. Some non-family employees felt that family members have the control and their role is perceived as being 'order-givers', while employees feel that they are executing functions assigned to them and are dissociated from the company's management.

The fact that the manager is also the owner can be a source of emotional stress for the employees, in some cases even on an everyday basis. This, according to employees, appears to be the result of poor management skills of family members running the business.

Management shortcomings give rise to friction, but because of their emotional attachment to the company, employees back down from their position, even when they feel that they are right.

At the same time, employees report that the management of their advertising agency tends to underestimate the abilities of its workforce in terms of successful and profitable deals with clients and media (and overestimate its own abilities). This creates emotional strain as employees constantly feel the pressure of having to prove themselves and the lack of motivation as far as taking initiative is concerned.

**Table A1.2.** Categorisation of responses to the question: Do you think that feelings of ownership can exist without formal ownership? If yes, under which conditions?

<b>In vivo codes – Respondents’ quoted statements</b>	<b>Categories</b>
<p>‘Yes, when the owner appreciates and cares and considers the employee part of the family business.’ (aeb1)</p> <p>‘The love and support the owner shows his employees is essential, and once the employees experience this kind of behaviour, they will reciprocate in kind to the maximum of their abilities and feel they belong to this company.’ (aeb2)</p> <p>‘If the owner manages to implant in each employee the motto: “Work, bring money to the company so that you can get money too”, automatically the employee becomes an integral part of the company and feels like it is his own. In this way both sides benefit.’ (aeb3)</p> <p>‘If the employee gets a commission on sales, he/she feels part of the company.’ (aeb4)</p> <p>‘Some of our clients believe that I am the owner-manager, because of my dedication to my work. I work efficiently and bring money to the company and the owner-manager has the stress of the financial side of the business. It is a 2-way give and take situation.’ (aeb5)</p> <p>‘Although I am just an employee, I have loved this company through the years and I adopted it as my own.’ (aeb5)</p>	<p><b>Driving reasons behind employees’ sense of being an integral part of the family firm</b></p> <p><i>love (subcategory)</i></p> <p><i>reward schemes (subcategory)</i></p> <p><i>devotion (subcategory)</i></p>

### **Driving reasons behind employees' sense of being an integral part of the family firm**

Participants in the study find it very likely that an employee may become very closely associated with a family business and may come to consider it as his/ her own. However, according to the employees, this depends on the behaviour of the company's owners towards their staff, which can contribute to fully committed employees who are emotionally attached to the family business.

From 32 employees, 29 state that when owner-managers show respect towards their employees, appreciate their efforts, provide support and encourage their initiatives, employees are very likely to come to see the company as a place where they belong, a place they own a part of. This, nonetheless, may be a two-way street: the employee may first need to show a positive attitude towards his/her work, before the owner reciprocates. Likewise, the closer the employer comes to his employees, the more inclined they are to perform at their best. In any case, all participants in the study agreed that when employees feel valued, they make a greater effort to carry out their tasks to a high standard, they get emotionally involved in the family company, and they return the manager's respect.

Some participants in the study state that implementing a benefit scheme or communicating successfully that positive financial results for the company leads to better pay for the employees is also instrumental in cultivating a positive attitude towards the work and making employees feel that they 'own' the company. Such an attitude stems from the organisational climate and culture nurtured by owner-managers, as the responsibility for increasing the employees' feelings of engagement lies with management, who must motivate employees with business benefits.

**Table A1.3.** Categorisation of responses to the question: How do you view your role within the family business? Do you feel you are just an employee or do you feel part of the business and the family?

In vivo codes – Respondents' quoted statements	Categories
<p>'I feel I am a member of this company because they love me and they respect me and they also give me the right to take initiative and have freedom of movement. Of course, nobody gave this to me for free. I earned it through hard work. I work daily with a client base that I increased by 100%.' (reb1)</p>	<p><b>Employees' perceived role in the family business</b></p>
<p>'I am a good soldier. I work many hours, my mobile phone never stops ringing, I book one appointment after the other, I am fully responsible for important projects. I meet new and current clients, I formulate plans and proposals. If you call this being an active member of the company then that's what I am and I feel I deserve it with all that I am offering.' (reb2)</p>	<p><i>disciplined member (subcategory)</i></p> <p><i>active member (subcategory)</i></p>
<p>'When I handle things successfully, the owner makes me feel like I am part of the company. But if something goes wrong, then I am definitely held accountable.' (reb3)</p>	
<p>'There are moments when I feel that I am a member of this company, and others when I feel that I am a simple employee. It depends on the success or the problems that come up.' (reb4)</p>	<p><i>perceived role depends on the company's performance (subcategory)</i></p>

### **Employees' perceived role in the family business**

For the most part (31 out of 32), employees of family businesses see themselves as having an elevated role in the family business. They feel that they are an integral part of the business and not simply employees. Still, they do not consider this to be the outcome of simply working at a family business or the result of an employee-oriented corporate culture that influences the effective behaviour of employees. Rather, they believe that this is the product of their own hard labour and commitment to their duties, of the best use of their skills, abilities and experience along with the recognition of their efforts from the management and the genuine appreciation for their work.

Nevertheless, it should be noted that in some companies, employees report that the behaviour of their managers towards the workforce depends on current circumstances and how the company is performing. In other words, the behaviour of managers is linked to the success or failure of business deals, regardless of whether the employees are responsible for these results or not. Their behaviour even depends on factors unrelated to the employees' competence, leading to frustration and a negative climate at work. Therefore, no consistency is noted in how employees are treated, and this reflects on how employees perceive their role in the company. At times, employees feel their role is elevated, while on other occasions they feel reduced to mere employees and not in control of their work.



**Table A1.4.** Categorisation of responses to the question: Do you know what succession planning is? Have you been informed of a succession plan for your company? If yes, does it concern only family members or does it include non-family managers? What kind of succession plan would satisfy you, e.g. one that is linked to profit-sharing schemes?

<b>In vivo codes – Respondents’ quoted statements</b>	<b>Categories</b>
‘Yes, I have been very well aware of it since the day I was hired, 2 to 3 years ago. Succession, involves the son of the owner and only him.’ (eas1)	<b>Employees’ considerations on succession</b>
Definitely it is in the mind of all my colleagues since the owner-manager is over 60, but we know for sure that succession is only in the family.’(eas3)	<i>succession is about family members (subcategory)</i>
‘Nowadays the goal is to keep the business running; and if a non-family member is needed to take over, I think that the owner will proceed with this solution.’ (eas2)	<i>the financial crisis makes owners consider the option of non-family manager (subcategory)</i>
‘If you had asked me 3-4 years ago, I had dreams to become a shareowner of the company. Nowadays, I am content with just getting my salary.’ (ise4)	
‘I personally never saw myself anywhere on the management scale, because that is not what I was after.’ (ise5)	<i>no personal aspirations regarding succession (subcategory)</i>
‘I am satisfied with commission on sales that I get anyway, and an annual salary increase.’ (ise6)	
‘A programme for a new strategy, a different management plan, a wind of change, a team of young people with new practices and new technologies. That’s succession for me.’(ise7)	<i>organisational modernisation (subcategory)</i>

### **Employees' considerations on succession**

All employees are aware of the term 'succession planning' and are more or less informed as to the succession plan of their company, although they take it for granted that succession is a family matter.

From the 32 questioned, 30 said that succession planning involves passing on the company to first-degree relatives, namely offspring. It is clear to them who will take over, long before the succession plan is implemented.

Nevertheless, some employees feel that the family firm's succession planning takes into consideration the possibility of passing the management of the company to non-family members in order to ensure smooth operation. In such cases, they consider it likely that an external general manager will be recruited, rather than promoting an existing employee to the position of general manager.

It is worth noting, however, that some employees question whether the succession plan that the current owner has in mind will ever materialise. The current economic crisis has adversely affected the operations of all companies, and at present, emphasis has shifted to ensuring the company's survival. Accordingly, succession plans may be scrapped or revised.

Regarding employee opinions as to the ideal succession plan for their company and subsequently for themselves, attitudes diverge. Notably, however, none of the employees interviewed appear to have aspirations to be part of his/her company's succession plan.

Many employees appear indifferent to the succession plan of their company. Some of the employees believe that this is because their salary is already based on sales/performance, and they are happy with this arrangement. In other cases, however, the current economic crisis has shifted focus from the long term to the short term. The main priority is to keep their job and their monthly income, rather than worrying about what will happen to the company in the future.

Other employees see the succession plan as an ideal opportunity for changes in the way the company is managed. To some, this translates into the introduction of new management styles and a better work climate. To others it translates into financial compensation that correlates to a greater extent with the efforts they put into the business.

**Table A1.5.** Categorisation of responses to the question: In your opinion, do the culture, beliefs and traditions in Cyprus constitute determinant factors of the organisational behaviour in advertising agencies? If yes, in which way? What about in relation to succession planning?

<b>In vivo codes – Respondents’ quoted statements</b>	<b>Categories</b>
<p>‘Of course the behaviour of the owner towards his employees is affected by cultural and traditional norms. He believes he is irreplaceable, he protects his position as if it was the most precious thing, he is afraid of competition, he limits initiative because he feels fear and threat from a circle of intelligent employees and he does not clarify what the company’s plans are.’ (msb1)</p> <p>‘When it comes to succession, our firm regards this issue like all other businesses in Cyprus: with the focus being on the family. So employees know that there are limits to how high they can rise.’ (msb2)</p> <p>‘In Cyprus it is clear that the family business will remain in the family. Only if the evolution of the company requires new investors will employees have the opportunity to advance further.’ (msb3)</p> <p>‘They run their company like they run their families, influenced by local customs and traditions. They behave like mini-leaders who are over-protective of the people in the company, but they also set rules and regulations like they do in their family. This cluster of values may appear as an advantage to begin with, but you observe little interest in the promotion and development of their employees.’ (msb4)</p> <p>‘I believe that because of the crisis they have abandoned the traditional sentimentality of family firms, and their behaviour is determined only by profits.’ (msb5)</p>	<p><b>Management style in family businesses</b></p> <p><i>owner-centred (subcategory)</i></p> <p><i>influenced by cultural and personal values (subcategory)</i></p> <p><i>paternalistic style (subcategory)</i></p> <p><i>influenced by the financial crisis (subcategory)</i></p>

## **Management style in family businesses**

Cultural and personal values have a significant impact on the behaviour of the family business owner-manager within the company. How these are expressed differs significantly from one business to the other.

The majority of employees interviewed (30 out of 32) feel that some owner-managers run the company the way they run their family. Often, this kind of informal management style can encourage employees to feel like a part of the same business family, sharing the same vision. However, some respondents said that owner-managers' attitudes and perceptions influenced by cultural and personal values set limits to employees' career prospects as well as specific roles to follow.

However, in the employees' opinion, running a business the way you run a family can be proven to be a bad practice when owner-managers do not observe home/business dichotomies in the boss/employee relationships. Thus, as participants in the study imply, many family businesses have a rather paternalistic management style implying that the owner-managers keep a tight grip on control and decision-making, and keeps their employees at a distance.

Cultural norms are more evident when it comes to the issue of succession planning.

Employees working in family businesses support that they expect management and control of their business to remain in the family, as owner-managers are not very open to sharing control with individuals that are not family members. Employees anticipate that the current owners will pass the company on to their children as an inheritance, and this plan has a negative impact on the expectations of employees for advancement within the company.

Moreover, some employees argue that well-established cultural and personal values and how they influence management style have changed in many companies due to the current economic crisis. For example, employees state that as the owner-managers have become more focused on profitability and the survival of the company, the friendly climate that was inherent in family businesses is fading.

**Table A1.6.** Categorisation of responses to the question: Could you see yourself in this company for the rest of your professional life? What kind of factors would influence your decision to stay or to leave the company, e.g. career paths, managerial prospects - participation to decision-making, rewards, recognition, providing vision, sharing the same vision with family employees?

<b>In vivo codes – Respondents’ quoted statements</b>	<b>Categories</b>
<p>‘I believe I will be here, on the frontline where I have been for the past 28 years, until I retire. I had a lot of rewards, gifts and celebrations all these years, so they are not factors for me anymore. I am staying on because I love the company, and I have been a loyal employee for many years now because I love what I do.’ (fec1)</p> <p>Career opportunities, participation in decision-making, rewards, recognition, and vision are all essential, but things do not work like that today. What matters is having a job tomorrow and supporting ourselves.’ (fec2)</p> <p>‘I have no idea if the company will manage to survive the crisis. In any case, we can’t move because the market is frozen and all companies lack money. Even if we are not happy, we have to stay.’ (fec3)</p> <p>‘Yes, I do see myself remaining here until the end of my professional career, because I love what I do and the recognition I get for my work. I am expecting nothing more than my salary, as no bonuses or extras are given anymore.’ (fec4)</p> <p>‘What keeps employees tied to the business is a package of material and emotional benefits, a good salary, but also job satisfaction, recognition, and a pleasant work environment.’ (fec5)</p> <p>‘I would leave only if the new owner, the son, does not need me and demonstrates this by reducing what I have earned. I do not mean the salary, which has already been cut because of the financial crisis, but rather the emotional support and appreciation that I had from his</p>	<p><b>Factors influencing employees to stay or leave the company</b></p> <p><i>devotion (subcategory)</i></p> <p><i>insecurity/security (subcategory)</i></p> <p><i>survival (subcategory)</i></p> <p><i>recognition (subcategory)</i></p> <p><i>loss of emotional benefits (subcategory)</i></p>

father until now. This company is my whole life.’(fec6)

‘Salary is the most sacred value for employees.

*salary cuts (subcategory)*

I would definitely leave the company if my salary is

cut. At the end of the day, what matters is money.’ (fec7)

‘I would leave only in if the new management doesn’t

*redundancy (subcategory)*

need me anymore. It is a matter of pride.’ (fec8)

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### **Factors influencing employees' decision to stay or leave the company**

Most employees believe that their professional career will continue at their present company until their retirement. Especially employees that have been with the same company for an extensive period of time state that they have become very attached to it and they do not feel that a change of employer would better satisfy their professional ambitions.

At the same time, other employees are taking stock of the current economic crisis and express satisfaction with the fact that they have a job and can support themselves financially.

Therefore, employees support that they want to hold on to their jobs and are not considering or pursuing a change of employer or career.

Moreover, some employees express doubts as to their future in the company. This, however, does not appear to be the result of their own will. Rather, it is the impact of the economic crisis on the company's business cycle that raises doubts as to whether the company will survive and whether its staff will be in employment in the future. However, this uncertainty will not drive them out of the firm.

According to employees, a good salary, recognition of performance, job satisfaction and the benefits associated with a pleasant work environment constitute the key factors that keep them loyal to family businesses, motivate them to perform to the best of their abilities, and contribute to personal and professional fulfilment.

Even employees who do not enjoy the aforementioned conditions at their place of employment hesitate to leave their company under the current circumstances. They believe that the current economic crisis has limited the number of opportunities available in the job market.

According to 30 out of 32 non-family employees, the main reason why an employee would leave his current employment is if his/her salary was reduced. A cut in salary and other economic benefits that the employee receives from the company would be, according to most employees, a reason to consider looking for work elsewhere in order to compensate for the



reduced income. In fact, the majority of employees adopt a rather pragmatic approach in relation to business rewards, stating that money is the most powerful motivator today.

Also, employees believe that a change of management and the introduction of new family members in the business may also determine the willingness of employees to stay on at the family business. Specifically, employees support that, if family members who are now entering the business or are now taking over the management prove to be an asset to the company and support the existing personnel in their duties, then this strengthens the employees' resolve to stay on. By contrast, if the introduction of new family members in the company means that existing personnel is sidelined or their role is relegated, then this overturning gives rise to thoughts of leaving the company.

Still, there are employees who cannot picture themselves leaving the company voluntarily. They are very much attached to it and would leave only if their services were no longer needed.

**Table A1.7.** Categorisation of responses to the question: How old is the owner-manager of your company? Do you wonder about the future of the company and consequently your future within the company? How does this uncertainty affect you in your personal and professional life?

<b>In vivo codes – Respondents’ quoted statements</b>	<b>Categories</b>
<p>‘The owner-manager’s age is none of my business. He is 65 years old, young at heart, very dynamic and able to lead the company out of the current financial crisis.’ (ima1)</p>	<p><b>Impact of the owner-manager’s age on employees</b></p>
<p>‘The owner-manager is only 60 years old; she is very young and so her age does not trouble me. I only hope that we have work so that I can remain in this field which I love. In any event, her offspring will take over the company, so the only thing that I’m concerned about is the survival of the company.’ (ima2)</p>	
<p>‘The owner is 59 years old, so he is still young for immediate succession. But I am anxious about what will happen when the son takes over. Not in the sense of whether he will be able to support me, but if he will be capable of running the whole company. I realise that even though he has good intentions, the young man is not as tough as his father and I do not know if this company will survive in the future. So this climate does worry me.’ (ima3)</p>	<p><i>concerns regarding successors (subcategory)</i></p>
<p>‘The owner’s daughter has just taken over the company, so my only worry is whether she is a good captain to keep the company as healthy as it has been.’ (ima4)</p>	

### **Impact of the owner-manager's age on employees**

Asked directly about the impact of the owner-manager's age on their own plans to stay with the company, most employees do not appear to be troubled by this factor. In their opinion, owner-managers who are up to 65 years old are considered to be still 'young' and capable of being actively involved in the business management. The respondents do not consider the owner-managers' age to be a cause for concern regarding the future of the company.

At the same time, in companies where a succession plan is in place and / or the next generation is already actively involved, employees support that a sense of smooth transition is perceived in the firm's leadership, which translates into a continuation of the existence of the company and, according to employees, dispels fears that they may lose their job as a result of a transition in the management.

Even so, employees state that the survival of the company in the future is a source of anxiety. As employees support, the continuity of the company may be at stake either because of the current economic situation or because the successors in the family business lack the right skills and abilities to successfully run it. In this sense, the change of owner-manager may not raise alarms that people will lose their jobs because the new management no longer requires their services, but rather because they question whether the successors are capable of keeping the company afloat.

### **A2. Perception of key employees regarding subjective norms**

Advertising agency owner-managers, clients and media constitute the groups of significant others who are considered to be important players in the professional lives of non-family employees. Examining non-family employees' perception of the expectations of significant others regarding the behaviour of employees towards succession-related issues may indicate their behavioural intention to perform accordingly.

## Presentation of findings

**Table A2.1.** Categorisation of responses to the question: Do you think that the owner-manager of your agency considers you as a potential ‘successor’ to the company management? How do you feel about it?

<b>In vivo codes – Respondents’ quoted statements</b>	<b>Categories</b>
<p>‘I don’t think that any non-family member is included in the company’s succession plans. I have been here for 20 years and no such proposal has been addressed to me. Anyway I am not interested at all. That would mean additional responsibilities and time at work.’ (bbs1)</p> <p>‘Successors are the children of the family. I was taught that from the first day at work, but I that doesn’t bother me because I am very pleased with my salary and benefits.’ (bbs2)</p> <p>‘The owner-manager made it clear to me that I will succeed him in the management. But this doesn’t satisfy me, since I will working to prove myself will be exhausting, without owning anything.’ (bbs3)</p>	<p><b>Being part of the family business succession</b></p>

### **Being part of the family business succession**

According to 27 out of 32 non-family employees participating in this study, the fact that they are not part of the succession planning does not appear to influence them negatively. Those who express an opinion on the issue admit that they themselves have no ambitions to rise to the top management of the company. Some of the employees support that it is a matter of personal choice, in order to avoid obligations and responsibilities that may result in harmful effects and stress at work. Some others argue that it is about lack of career ambitions, as they have never experienced psychological empowerment at the workplace which would boost their confidence and competence. Thus, they state that they are content with keeping their current role and responsibilities with no negative emotions about the family business or the owning family.

In some cases, employees state that they may be part of the succession plan, but this does not appear to particularly please them. Being named as a successor to the manager would only increase their workload and responsibilities. The promise that one day he/she will rise to general manager means added responsibilities and work-related stress over a long period of time. As, according to participants in the study, it is not guaranteed that the business will survive in the future, in order for the extra effort going into the company today to pay off, employees are not willing to engage in such a risky career path. They feel that they would only be overwhelmed by a heavy workload and be obliged to invest personal time in a company they do not own.



### **Non-Family Employee-media relationship**

The advertising business involves close cooperation with mass media organisations on a daily basis and communication is handled on two levels of hierarchy.

Most of the employees assert that they handle communication with the media marketing executives on their own as a part of their routine tasks. They confirm that they have a good rapport with the media and communicate with them effectively as part of their daily duties. That includes planning and booking of advertising space in all types of mass media such as television, radio, print and online media. According to the employees, the owner-manager is not involved in this process and this is part of the normal cycle of the company's business. Moreover, employees explain that media planning and buying requires training on how to use specialised software. Therefore, experienced and well-trained media planners that work for advertising agencies enjoy greater autonomy and authority in deciding how to conduct their work and have earned the respect of media people as well.

In other cases, however, according to respondents, the employees are totally cut off from communication with the media. Specifically, when it comes to financial matters, such as financial agreements, advertising budgets allocated to media and media commissions returned to agencies, it is seen as the manager's role to communicate with the mass media, and this appears to be a practice that is promoted by the mass media themselves. Participants in the study state that media directors and media owners acknowledge the manager as being the person with the final say in business decisions and prefer to deal with him/her personally.

**Table A2.3.** Categorisation of responses to the question: Do your clients consider you a key person in their cooperation with the agency?

In vivo codes – Respondents' quoted statements	Categories
<p>'As the account manager, I am their everyday liaison. This builds a very positive relationship between us.' (rwc1)</p> <p>'It is me that they know and trust. They listen to my opinion and I enjoy providing them with business solutions that respond to their needs.' (rwc2)</p> <p>'The owner is not there for them on a daily basis. Clients are happy with me because I offer them the best possible service.' (rwc3)</p> <p>'My clients cooperate much better with me than with the owner. Since I do not belong to the family, they express themselves openly to me. Often they will call up and ask directly for me.' (rwc4)</p> <p>'They like me as professional and as a person, but they always ask for the owner. Everything has to go through the owner. As the owner-manager is well networked with influential people, clients appreciate his status and like to maintain contact with him/her' (rwc5)</p>	<p><b>Relationship with clients</b></p> <p><i>the stance of clients towards the owner-manager (subcategory)</i></p>



### **Relationship with clients**

26 out of 32 non-family employees working for family advertising agencies claim that they have a very good rapport with the company's clients. Due to the nature of the business, advertising agencies comprise distinct and specialised departments, such as account management, media, and creative, in order to operate efficiently. Each department provides the agency's clients with specialised services. According to the employees, account managers in particular are the client's day-to-day liaison with the agency; they have a thorough understanding of business and advertising, and they usually enjoy solving business challenges and building relationships.

Employees believe that regular communication is the foundation of a positive working relationship with clients. They state that the ability to respond to the needs of the client inspires trust. In turn, such clients do not feel that there is a need for the manager of the family business to be involved in order for a task to be successfully executed.

Participants in the study also mention that the fact that the employee is not a member of the family makes it easier for some clients to open up, speak more freely and have a less formal relationship. This helps foster the relationship between employee and client, and results in employees having a closer relationship with clients than owner-managers.

Nevertheless, and despite having a very positive and effective employee-client relationship, employees notice that some clients seek to have contact with the owner-manager. This is in order to either maintain and foster a personal relationship that has been built over time, or to keep in contact with an influential owner-manager who is well connected with media and business lobbies.

### **A3. Perceived Behavioural control of employees**

In the context of their working environment, factors underlying employee behaviour or behavioural change come into play and determine the outcome of the particular behaviour of employees.

## Presentation of findings

**Table B3.1.** Categorisation of responses to the question: Should you not be able to secure your future in the family business you currently work for, what would you plan to do?

In vivo codes – Respondents' quoted statements	Categories
<p>'I would look for a job elsewhere although job security can never be guaranteed. The possibility of a twist in business operations is always there.' (pet1)</p> <p>'I would proceed with the setup of my own company in case I find myself in such a difficult position.' (pet2)</p>	<p><b>Plans in the event that current employment is terminated</b></p> <p><i>start an own business (subcategory)</i></p>
<p>'The bottom line is that I do not know what is more pressing: the need for money or the satisfaction of free movement. I may start something of my own, but not as a competitor. But I have a family and that is not very helpful.' (pet3)</p> <p>'Although I always dreamed of having my own business, I would definitely look for another job because I need money to survive. I am getting married soon.' (pet4)</p>	<p><i>look for employment (subcategory)</i></p>

### **Plans in the event that the current employment is terminated**

When discussing the issue of voluntary termination of their employment for reasons stemming from lack of job security, most employees of family businesses assert that they would look for a job elsewhere. Despite the fact that in the employees' opinion, no company can guarantee an employee a job forever, and that dealing with the possibility of no assurance of a long-lasting gainful employment can be very stressful, employees support that in the event that their current employment was terminated, they would seek new employment. According to 30 out of 32 non-family employees, their financial commitments as well as their family responsibilities do not allow them the luxury of irregular income.

Some employees would consider the possibility of starting their own business, but others are unclear as to what they would do in search for new employment opportunities as they have not given thought to any career plans. Moreover, as they say, they have learned from experience that even the best-laid career plans can change as unexpected business conditions may arise.

Those who consider starting their own business take a number of factors into account when examining this prospect. Primarily, however, they take into account the personal satisfaction that running a business in a field they enjoy would offer them, versus the financial risk of attempting something on their own. However, according to non-family employees, pressing obligations, primarily the need to support a family, discourage them from starting up a new business. Participants in the research say they prefer the secure income of a full-time position as opposed to the risk involved in a private venture. Thus, their ambitions and dreams of having their own company are not considered to be a realistic and short-term goal to aim for.

**Table A3.2.** Categorisation of responses to the question: In case you can/cannot avoid the control of the owner-manager over your professional decisions, what would your reaction be?

<b>In vivo codes – Respondents’ quoted statements</b>	<b>Categories</b>
<p>‘I try to give evidence to support my point of view. I discuss and I believe that through dialogue everything can be solved. It is just that the owner has the first word and I do not take warnings, recommendations or advice personally.’ (erc1)</p> <p>‘I seek the advice of the owner-manager because I believe he must be in control. If I am right, my opinion will be recognised. This is how we cooperate.’ (erc2)</p> <p>‘There is control on a daily basis on small and big professional issues and my reaction is always positive and reconciliatory. I do not like tension and I am not willing to oppose them.’ (erc3)</p> <p>‘The owner must be in a position to control all business issues. It’s his duty as owner and as manager to ensure that his company keeps going forward.’ (erc4)</p>	<p><b>Employees’ reaction to owner-manager’s control</b></p>

### **Employees' reactions to owner-manager's control**

Most employees in family advertising agencies tend to recognise that the owner-manager has the right to review and monitor their work and to intervene where necessary. According to employees, it is the owner-manger's responsibility to ensure smooth and healthy business operations aligned with the company's vision and goals, and to safeguard the firm's image and long-term reputation. The character of both employees and managers, however, gives rise to two distinct work environments.

On the one hand, employees support that in some family businesses the process of control (and interventions) is conducted within a spirit of open dialogue with both parties constructively voicing their opinions. According to employees, this approach leads to the adoption of their point of view in cases where the owner-manager is convinced by the arguments they raise. However, it has not been clarified whether this approach is conceived by employees as a product of democratic leadership or a motivational tool.

On the other hand, participants in this study argue that in other companies, employees accept control and intervention in their work without raising an issue or defending their choices/opinions. Still, it is not clear whether this is due to the autocratic character of the employers (they impose their opinion), or the character of employees (avoid confrontation, fear of failure) or a combination of both.

**Table A3.3.** Categorisation of responses to the question: Do you feel you are part of the decision-making process on business issues? If not, how do the feelings generated by this affect you as a professional?

In vivo codes – Respondents’ quoted statements	Categories
<p>‘Yes, I decide on issues in my field. Besides, I see no reason to bother the manager with something that he has given me permission to handle.’ (epd1)</p> <p>‘My boss always seeks my opinion on all issues, especially the important ones.’ (epd2)</p> <p>‘I am asked for advice on various issues, but I would rather avoid it, because in a family business when something goes wrong, the person to blame is the non-family employee.’ (epd3)</p> <p>‘I sometimes do, but this is not something that I pursue. I feel much more efficient when I only execute instructions and decisions. This does not make me less of a professional, it makes me wiser, as I do not become involved on a <b>different</b> level of cooperation.’ (epd4)</p> <p>‘I am not involved at all but it doesn’t bother me at all. On the contrary, I feel relieved of responsibilities and criticisms.’ (epd5)</p>	<p><b>Employees’ participation in decision-making</b></p>

### **Employees' participation in decision-making**

Most employees assert that they are involved to some degree in decision-making in their company. The level of involvement in decision-making, however, differs significantly from company to company. In some companies employees are asked for their opinion on all important issues as their judgement is respected and appreciated by the owner, while in other companies, the opinion of employees is asked only on issues relating to their field of work, where their expertise and know-how is needed.

Still, even when the opportunity presents itself or where the company encourages such initiative, not all employees are willing to get involved in the decision-making process. Some employees say they prefer to sit back and let others take decisions; they believe that employees in a family firm should define boundaries in their decision-making involvement in order to avoid unjust criticism from the boss or other family members.

At the same time, in some companies, employees are not involved in decision-making to any degree. Interestingly, employees working in such companies do not appear to care overly for this. Some even say they prefer this status as it eliminates the possibility of supporting a decision which may end up having adverse effects on their business relationship with the owner-manager. Employees equate lack of involvement in the decision-making process with avoidance of responsibility. In addition, employees maintain that by limiting their initiative and involvement in decision-making, they are not downgrading their professional integrity.



**Table A3.4.** Categorisation of responses to the question: Is your productivity in the company related to the recognition or benefits you feel you can gain because of the everyday effort you make? What about your commitment?

<b>In vivo codes – Respondents’ quoted statements</b>	<b>Categories</b>
<p>‘I do not expect gifts, or bonuses. I am productive and devoted to my work because I love it and because that is who I am.’ (epd1)</p> <p>‘My productivity and my dedication to the company come out of my personality and soul. Because I feel it and I love what I am doing and not because I expect recognition and rewards.’ (epd2)</p> <p>‘In the past, employee satisfaction schemes were implemented to appraise productivity and dedication to the company. But that was not the reason for being efficient. We work because we love our job.’ (epd3)</p>	<p><b>Factors generating employees’ productivity and commitment</b></p>

### **Factors generating employees' productivity and commitment**

The majority of non-family employees in the study support that they have a high productivity rate and are dedicated to their company. They perceive themselves as being hard workers, fully committed to their company, and they imply that owner-managers share the same pattern of views.

Most employees of family businesses support that their hard work and loyalty towards the company are not a means of acquiring recognition and a higher salary. On the contrary, they consider their job engagement and devotion as inherent in their personality and linked to deeply rooted personal beliefs and values towards employee performance and behaviour at work. Similarly, they consider these particular employee qualities irrelevant to incentive-driven job ambitions and expectations.

Moreover, employees believe that their productivity and work ethics as essential traits of their character are reinforced and inspired by love for what they are doing, as they were born to work in advertising. Thus, they work with zeal and dedication because these are inherent qualities that they have. The fact that their commitment and contribution to the firm may be recognised and rewarded by the management is not a driving force.

## **B.OWNER–MANAGERS OF FAMILY ADVERTISING AGENCIES**

Owning and governing a family business implies personal rewards but also a great responsibility to manage all the stakeholder relationships, to drive profitability and to generate growth prospects over the long term.

### **B1. Attitudes of advertising agency owner-managers as important stakeholders**

Since people are more likely to behave according to their attitudes under certain conditions (Smith & Mackie, 2007), questions deriving from literature review were formed to explore both explicit and implicit attitudes of owner-managers towards people, issues and events related to organisational management and in particular to succession in a family-owned business.

## Presentation of findings

**Table B1.1** Categorisation of responses to the question: What does ownership mean to you? (i.e. power/authority, control, prestige, responsibility, source of wealth)

In vivo codes –	Categories
<b>Respondents’ quoted statements</b>	
‘I developed something on my own and for myself and this achievement gives me a great personal satisfaction.’ (mbo1)	<b>Meaning of business ownership</b>
‘A source of wealth and love for the profession.’ (mbo2)	
‘I am master of myself. I am the only decision-maker both on managerial issues and on the creative direction of projects, and I have control over my company.’ (mbo3)	
‘I created this company definitely having profit as a goal, but also because I loved what I did. I am dedicated to advertising.’ (mbo4)	
‘Setting up my own business from scratch, it’s been a great challenge. It’s like giving birth. That’s why I feel that my company is a part of me.’(mbo5)	
‘Having your own business in the middle of a financial crisis is a source of stress regarding the survival of the company.’ (mbo6)	<i>consequences of the financial crisis on ownership (subcategory)</i>
‘My only concern is to secure the future of my agency. Since the start of the crisis in 2008, advertising budgets have been dropping continuously.’ (mbo7)	

### **Meaning of business ownership**

To owner-managers of advertising agencies, owning a business means they have the opportunity to be creatively involved in a field they enjoy, while reaping the economic benefits of their work. According to owner-managers, being at the helm of an advertising company offers more personal satisfaction and a sense of achievement, while the ownership status ensures a higher income.

Some owner-managers state that the independence an owner-manager enjoys in terms of making executive decisions, deciding on the creative direction and controlling the work of the agency is also a strong incentive for running their own business.

Moreover, owner-managers participating in the study support that setting up your own business is a challenge that creates an emotional bond with the company, making the owner feel like the proud parent of a child.

At the same time, 11 out of 12 owner-managers argue that being the owner of an advertising agency at a time of economic crisis is a constant source of stress. They stress the fact that many companies are struggling and this creates concerns among owner-managers as to the survival of their companies and their own professional future. In fact, as owner-managers comment, the financial crisis that has taken hold of Cyprus since 2008 has seriously crushed the advertising industry, as advertising expenditure is first on the list of budget cuts when the health and prosperity of a company need to be ensured.

**Table B1.2.** Categorisation of responses to the question: What does family business mean to you?

In vivo codes –	Categories
Respondents' quoted statements	
<p>'My vision was to gather my family around my work. I believe in family businesses because the family members together can achieve.' (sfb1)</p>	<p><b>Significance of a family business</b></p>
<p>'To be able to do things as a group with my family and to give them a good life.' (sfb2)</p>	
<p>'The family business secures the welfare of my family.' (sfb3)</p>	
<p>'It is my turn to prove that what I am taking over I can also deliver to the next generation successfully.' (sfb4)</p>	
<p>'Trying all the time to convince my father why we should decide this and why we should do that is really frustrating, exhausting and creates a negative work environment.' (sfb5)</p>	
	<p><i>significance of a family firm for for second generation (subcategory)</i></p>

### **Significance of a family business**

Some owner-managers state that setting up a family business was a means of bringing the family together to work. Founders of family businesses sought to create a setting that would afford them the opportunity to constructively work alongside their family.

Besides a sense of uniting the efforts of the family on a professional front, setting up a family business is seen by some as an opportunity to ensure a revenue stream for the family.

For second-generation owner-managers, this challenge takes on a different form. As they say, succeeding their parents, new owner-managers feel that this is their time to prove their worth by taking over and leading the company successfully. They feel the need to prove their value to both their parents and themselves.

However, the downsides of running a family business cannot be ignored. Second-generation owner-managers assert that disagreements and divergence of opinions among family members can give rise to friction, which creates a negative work environment. It is implied that even when offspring decide to join and take over the family business, they sometimes find themselves in conflict with the founding owners who seem unwilling to let go of the firm.

**Table B1.3.** Categorisation of responses to the question: Have you ever thought of or made arrangements for succession planning? If yes, have you proceeded with written or unwritten succession planning, or is it just on your mind? (In which case would you relinquish power? Are you open to management succession schemes?)

<b>In vivo codes –</b>	<b>Categories</b>
<b>Respondents’ quoted statements</b>	
‘At this point, it does not worry me. I have just succeeded my father and it will take time before the next generation succeeds me.’ (oss1)	<b>Owner-managers’ stance towards succession</b>
‘It does not concern me at all at present. Succession was clear from the beginning when the company was founded. The company shares were distributed to the family members involved in the running of the business and my son was assigned as my successor.’(oss2)	<i>succession has been planned</i> (subcategory)
‘Today no, it does not worry me because the problem is whether I will manage to survive.’ (oss3)	<i>survival is the top priority issue</i> (subcategory)
‘I am open to management succession, but it is not yet the time for me to pass the control of my company on to someone else.’(oss4)	<i>not ready for succession (subcategory)</i>
‘I have no idea what kind of succession plan I would consider as appropriate for me, but trusting in the successor is a prerequisite for me.’ (oss5)	
‘Discussion on this issue was on the table many times in the past. Nothing has been decided yet or put in writing. In any case, the company stays in family hands.’(oss6)	<i>the business stays in family</i> (subcategory)
‘I have already a succession plan in mind, but in order to implement it, I want to be sure that my children are ready to take over.’(oss7)	



### **Owner-managers' stance towards succession**

Current owner-managers of advertising agencies do not appear to be overly stressed about succession plans. According to owner-managers, three main reasons explain why.

Firstly, in some companies succession has recently been completed or is already well underway. At present, no succession plan is needed as current second-generation owner-managers are still relatively young and the next generation is a long way from taking over.

Secondly, in some advertising agencies, clear succession plans that family has agreed upon are in already place: the head of the company has been assigned, while company shares have been allocated to family members in accordance with their involvement in the business.

Owner-managers state that having a plan that is accepted by the family eliminates any concerns related to succession.

Thirdly, and most importantly, many managers are not worried about succession planning at present because they are focused on the more worrisome and immediate danger of their company closing down operations. According to most owner-managers, what is at stake is the survival of the company in the short term, and issues relating to the long-term prosperity and management of the company are superseded by the worsening economic climate.

10 out of 12 owner-managers of family advertising agencies assert that they have no clear plans regarding their company's succession, and consequently they have no written succession arrangements. Indeed, according to what some owner-managers state, succession may exist just as a thought at the back of their minds which will be handled when the time comes. They also imply that they do not seem to be ready yet to relinquish power, either because they feel they are still relatively young, or because and they do not consider anyone else as capable as themselves to take over the company.

From what owner-managers state, it is obvious that as far as succession is concerned, owner-managers embrace the traditional point of view, i.e. that the family business goes from father to son. Nevertheless, they want to be assured that capable successors will be assigned.

**Table B1.4.** Categorisation of responses to the question: In the case of succession, would you employ non-family managers?

<b>In vivo codes – Respondents’ quoted statements</b>	<b>Categories</b>
<p>‘I am open to any plan for management succession, if my children are not capable of managing the business, but I will definitely maintain the power over the agency.’ (pmm1)</p> <p>‘In case my son has no managerial skills, I will hire a non-family manager to ensure a steady revenue for my family and secure our property.’(pmm2)</p> <p>‘If such people (non-family managers) have innovative ideas as to how to get the company out of the financial deadlock, and I see them being better managers than myself and efficiently involved in the field, then why not and why not now?’ (pmm3)</p> <p>‘I will not hesitate to proceed with such a move if my children are not interested in my business. I can’t force them to join it. On the contrary, I will support them in whatever they want to do.’(pmm4)</p> <p>‘Personally, I would prefer an external manager who would look at the company from a more strict and professional point of view to take over. But when the articles of association were drafted, limitations were put on that direction.’ (pmm5)</p>	<p><b>Passing management to a non-family member</b></p>

### **Passing management to a non-family member**

Owner-managers of advertising agencies state that they are quite open to the prospect of appointing a general manager who is a non-family member, while retaining power for themselves. This stance is driven by a series of factors.

Some owner-managers acknowledge that the next generation in line may not have the required competencies and skills to run the family business. They state that instead of setting up their children for failure, they would rather bring in a capable, non-family member as a general manager who would ensure the company's prosperity and a revenue stream for the family that would retain ownership.

Other owner-managers take into consideration that the next generation may not show an interest in the field and may decide to follow a different professional path. Owner-managers who voice such considerations, also express the opinion that they will support their children in what they seek out of life and will not try to force them to become involved in the family business against their will. In this context, according to owner-managers, bringing in a non-family member as a general manager is the only available solution.

Some owner-managers also express the opinion that an external manager may prove to be more capable than themselves and have the know-how to provide solutions and develop new strategies enabling the company to escape from the present financial deadlock. In this regard, owner-managers assert that bringing in an external manager even at the present stage where succession is not yet needed could be considered as an option worth discussing.

It is interesting to note that some family businesses have articles of association that exclude the possibility of appointing a non-family member as general manager. Current owner-managers in such advertising agencies may acknowledge that this provision may not be in the best interest of their company, but their hands are tied.

**Table B1.5.** Categorisation of responses to the question: What about selling the business? Is it an option for you?

In vivo codes –	Categories
<b>Respondents’ quoted statements</b>	
‘It would be painful to sell the firm I created myself with so much effort. It is like losing a part of me.’(sfb1)	<b>Considerations to sell the family business</b>
‘If I had a profitable proposal, I would definitely sell it without a second thought and without any emotions getting in the way.’ (sfb2)	
‘Selling the company would be a gift from heaven, although I expected that my children would take it over. I feel tired, desperate and sad watching my company’s decline.’(sfb3)	
‘I do not believe that a sinking company should be kept. A merger with a trustworthy partner, or an offer to sell is a reality. If need be, we will head in that direction.’ (sfb4)	
‘Selling the company right now is not an option. Even if I wanted to change my professional field, I would appoint a non-family manager to run the company while I would remain the owner and major shareholder, to ensure a considerable revenue.’ (sfb5)	<i>Short-term considerations (subcategory)</i>
‘If the company remains profitable, it is an investment and it would not be among my top choices to sell it.’ (sfb6)	<i>long-term considerations (subcategory)</i>
‘If the next generation is not interested in taking over the business, then selling it is a solution for me.’ (sfb7)	
‘Ownership gives the right to control a family business, but if it is not profitable, other options should be discussed.’ (sfb7)	

### **Considerations to sell the company**

Considerations of passing control of the family business to entities outside the family were investigated in terms of the short term and the long term.

For the short term, according to what owner-managers state, selling off their company is not a welcome development to most owner-managers as their emotional attachment to the company holds them back from selling it outside the family.

Nevertheless, most owner-managers support that this emotional attachment is counterbalanced by the adverse impact that the economic crisis has had on the field of advertising. Many owner-managers are not optimistic about the long-term prospects of their company and they would therefore seriously consider and possibly accept an attractive offer to buy their company. Some of them state that they would do so with a heavy heart, as they would be leaving behind a family business they put a lot of effort into and that they intended for the next generation to take over. Others, however, admit that they would welcome such a proposal with arms wide open, as it would be a ticket out of a financial dead-end.

In line with this rationale, a merger with a suitable partner, or being bought out by another company would be welcomed by most owner-managers, as they expect that such a move would keep the company alive and provide a solution to the financial problems faced at present.

The limited minority of owner-managers of companies that are still profitable despite a decline in turnover assert that they reject considerations to sell their company at present. As long as the company remains profitable, they see no point in considering selling it off. Some participants in the study support that even in the event that the owner manager would want to leave the company, the company can still remain in the family to provide a revenue stream, and non-family members could be appointed as general managers.

For the long term, considerations regarding the financial wellbeing of the company come into play again. Most owner-managers state that if a family business is not performing well, then an opportunity to sell it will be taken under serious considerations.

Considering the long run, owner-managers also note the possibility of the next generation of not being interested in this field of business or being unable to manage the company. They believe that selling off the company might be a solution if nobody in the family is able or willing to take over.

## **B2. Owner-managers perceptions of family members, employees, clients and media as subjective norms**

Family members, employees, clients and media are defined as significant others in the environment of a family owned and managed advertising agency.

In this context, by indicating how owner-managers perceive the expectations of the above-mentioned groups regarding main advertising agency issues, it will be clarified as to whether owner-managers comply with these expectations and perform accordingly in managerial and organisational practices including succession.

## Presentation of findings

**Table B2.1.** Categorisation of responses to the question: Does the family value the business? If yes, in your opinion, what are the values that keep the family attached to the business? If not, why not?

<b>In vivo codes – Respondents' quoted statements</b>	<b>Categories</b>
<p>'Yes (it matters to the family). We are the second generation and we are very proud of this company because is the result of my dad's efforts, starting from zero at the age of 18.'(sff1)</p> <p>'It is like having and raising a baby. This does make the family emotionally attached to the company' (sff2)</p> <p>'The emotional attachment is proportional to the effort that each family member puts in the business.'(sff3)</p> <p>'Of course this business is important to my family. It is this company that feeds us and provide the means to offer our children a good education. This alone is enough to keep the family emotionally attached to the business'(sff4)</p> <p>'This company offered my family the lifestyle they always wanted.'(sff5)</p> <p>'Not nowadays. There is no sentimentality. Today survival is what matters. There is no member of my family that wants a company that operates at a loss, just for the sake of being able to say that we own a company.' (sff6)</p> <p>'This company has values and history, but the future and especially the present are more important.'(sff7)</p>	<p><b>Significance of the family business to the owning family</b></p> <p><i>representation of efforts and achievements (subcategory)</i></p> <p><i>source of revenue (subcategory)</i></p> <p><i>sentimentality is falling apart due to financial problems (subcategory)</i></p>

### **Significance of the family business to the family**

There is an emotional bond between families and their businesses. According to owner-managers participating in the study, this bond is reinforced by two major elements.

The first element is the fact that the business reflects the efforts and achievements of the family members involved in it. Some owner-managers say that the business is perceived as an offspring whose growth provides satisfaction and pride; it is considered as a part of the family. They also support that the emotional attachment that family members feel towards the company is proportional to the effort they have put into setting it up and the involvement they have in its operations.

The second element relates to the income that a family business generates. Owner-managers confirm that this revenue sustains the family and provides the means to raise and educate children.

However, owner-managers admit that the current economic crisis, which is cutting off the family's revenue stream, is undermining this emotional attachment. Owner-managers are seeing their family's income decline and their financial welfare being threatened as the work cycle of their company decreases. According to their statements, this forces them to put their feelings aside and take a cold hard look at the company and the prospect of maintaining it. If the company becomes a drain of financial resources rather than a revenue stream, sentimentality and emotional attachments will be set aside.



**Table B2.2.** Categorisation of responses to the question: Does the family believe it should interfere in business matters? If yes, in which way? If not, why not?

<b>In vivo codes – Respondents’ quoted statements</b>	<b>Categories</b>
‘The family does not interfere. Each person has his/her responsibilities, so they don’t interfere in each other’s tasks.’ (fib1)	<b>Family interference in the business</b>
‘No (they do not interfere). If I ask for the family’s advice I will have it together with their support. But they never interfere, know, or want to know what is going on in the company.’ (fib2)	
‘All family members work towards a common goal: the company’s prosperity. Nobody goes beyond his/her duties.’ (fib3)	<i>no interference (subcategory)</i>
‘When many family members are involved in the business, interference in decision-making is a necessary evil. That’s why we try to assign specific responsibilities to each family member, in an attempt to solve this problem.’ (fib4)	<i>interference (subcategory)</i>
‘Since succession here has been completed, the only issue that might still arise is with my father insisting on his own work practices and resisting any new ones. But we treat this as an argument based conversation.’ (fib4)	

### **Family's interference in the business**

Most owner-managers state that they do not face interference from other family members in the execution of their duties. This happens for two main reasons.

First of all, as participants in the study confirm, in some family businesses the roles and responsibilities of each family member are clearly defined. This eliminates any interference in the work of other members of the family. Given that the family business has one common goal, family members dedicate themselves to their duties without overstepping their authority.

The other reason is that some family businesses encounter what can be termed 'constructive interference', whereby family members provide feedback, suggestions and support in a positive way, aiding instead of hindering the owner-manager.

Some owner-managers, however, state that they do face interference from other family members. This phenomenon is noted in two types of companies: companies with many family members involved, and companies where the next generation is in the process of taking over.

In companies where many family members are involved, 10 out of 12 owner-managers refer to significant interference on the decision-making process. Defining roles and responsibilities for those involved in the family business does address the issue to some degree, but not completely.

In companies where the succession is underway, second-generation managers state that a clash of new ideas with established practices may occur. The generation taking over wants to implement its own management style and work practices, while the generation relinquishing control may oppose changes to a system that they have implemented themselves.

**Table B2.3.** Categorisation of responses to the question: Does the family want to keep the business across generations? What kind of reasons would determine any decision in relation to this matter?

<b>In vivo codes – Respondents’ quoted statements</b>	<b>Categories</b>
<p>‘We, the family, are interested in keeping the business in the family only if the next generation joins the company.’ (fcg1)</p> <p>‘For my father it is very important to keep the company in the family. It is something that he built himself as a sort of inheritance of for his his children.’ (fcg2)</p> <p>‘If my son is reluctant to take over, because he is interested in another field, I will employ a non-family manager to ensure my company’s future and prosperity’ (fcg3)</p> <p>‘It goes without saying that the family wants to keep the company for the next generation. But it depends on their ability to keep it and expand it. Otherwise I wouldn’t mind selling it.’(fcg4)</p> <p>‘A family business is a blessing, as all family members share the same vision and work with joint efforts towards the same goal. But we must be pragmatic and decide to hire a non-family manager or sell it, if the next generation is not interested.’(fcg5)</p>	<p><b>Family’s considerations on passing the business to the next generation</b></p> <p><i>wish that children take over (subcategory)</i></p> <p><i>depends on children’s desire and abilities (subcategory)</i></p>

### **Family's considerations on passing the family business to the next generation**

Owner-managers state that as far as the family business is concerned, the sense of tradition and inheritance in passing your creation to your children is deeply rooted in family values.

Therefore, considerations regarding the future of the firm are determined, according to owner-managers participating in the study, to a large extent by the desire of the founding owner and consequently of the owning family to see their offspring join the family firm.

Nevertheless, owner-managers state that the family's wish is that the business should remain in the family only if the next generation is interested in taking over and capable of managing the business successfully. Indeed, the majority of owner-managers assert that offspring intentions, aspirations and skills are taken into account, and owning family members accept the possibility that changes may occur in relation to what they had in mind for succession planning.

Thus, in the opinion of owner-managers, the family would be ready to bring in non-family managers in order to ensure the family business's long-term survival and prosperity, or even sell the business despite the fact that it is perceived as a blessing for the owning family.

**Table B2.4.** Categorisation of responses to the question: In case the business is not profitable anymore, do you think that the family would decide to try and keep it or proceed with mergers or selling? Why (not). If so, what about the employees?

<b>In vivo codes – Respondents' quoted statements</b>	<b>Categories</b>
<p>'Nowadays, survival and continuity of the firm are our priority. If the financial crisis obliges us to proceed with merging or taking over, then the family will accept this solution' (bnp1)</p> <p>'We will do our best to keep the company. We have already started letting employees go and have cut expenses. This will be the last step in trying to save the company.' (bnp2)</p> <p>'If the company starts making losses, definitely we would not keep it, and a merger would be an option for the family.' (bnp3)</p> <p>'Selling the company would be a tough decision, but if it is no longer profitable, there is no other choice.' (bnp4)</p> <p>'The first thing I will do if I have to sell is to ask ask the employees if they would want to take it over themselves, just to secure them an income. Otherwise, I would try to find them work somewhere else.' (bnp5)</p> <p>'In case of a merger with some other company, I would try to find a way for some people not to lose their jobs. If it was a sale, again my only worry would be to keep these people satisfied.' (bnp6)</p>	<p><b>What happens if the business is not profitable anymore</b></p> <p><i>instinct of survival (subcategory)</i></p> <p><i>selling or a merger would be an option (subcategory)</i></p> <p><i>concerns regarding the employees (subcategory)</i></p>

### **What happens if the business is not profitable**

Owner-managers of family advertising agencies were asked how the family would react in the event that the company was not profitable. According to owner-managers, unfortunately, this is a scenario that many companies in the field are already facing.

9 out of 12 owner-managers state that in today's economic climate, many family businesses seem unable to stand up to an economic downturn. Thus, they are obliged to abandon their traditional ownership structure and their interest is shifted from ownership and control to survival and continuity.

The initial instinct, as most owner-managers support, is to fight for the company and turn it around. Cutting expenses and laying off employees are measures that most companies in the field have already had to take.

An inability to turn things around, however, will need more dire measures, which basically translate into further personnel layoffs. As 11 out of 12 owner-managers assert, nobody is willing to keep on a company that is not profitable.

Owner-managers agree that an opportunity for a merger or an opportunity to sell the company would be very welcome if the company is performing badly, as it would be a solution that would allow them to keep the company alive and operating.

In the opinion of owner-managers, a merger would also provide an opportunity to safeguard employment for some, if not all, of their employees. Most owner-managers are very sensitive on the issue of, "what happens to the employees?" They feel an obligation towards their employees and want to secure a source of income for them. If a proposal for a merger came along, they would exert their influence to ensure that they keep as many as possible of their current personnel.

Owner-managers support that helping employees will be harder in the event that the company is sold and they lose their control over who remains on the payroll. Even in such a scenario,

however, owner-managers commit to doing their best to make sure that most of the current workforce stays on, or that their employees secure employment elsewhere.

**Table B2.5.** Categorisation of responses to the question: Do you know what key employees think about your company's succession planning?

In vivo codes – Respondents' quoted statements	Categories
<p>'I don't know and I really don't care what my staff thinks about the agency's succession.' (mfe1)</p> <p>'All employees who work here know that a family business like this one, certainly goes to the next generation or other family members.' (mfe2)</p> <p>'When we hire someone, we explain the company structure. So I do not need to know what employees think about succession. It is rather they who should know what is expected of them and act accordingly.' (mfe3)</p> <p>'I do not know what they think and I believe that succession does not worry them. They want to keep their salaries and nothing else. What matters to them is just the present.' (mfe4)</p>	<b>Non-family employees and succession</b>



### **Non-family employees and succession**

Owner-managers state that they are not aware of what their employees think of their succession plans, and it is not an issue they think about.

Some owner-managers admit that they simply do not care what their employees' opinion is on the issue of succession. They consider that the company's management structure is well defined and clearly implies the process of future succession within the family. Therefore, they believe that it is the employee who needs to know what his manager thinks (on all aspects of the business), and not the other way around.

Some owner-managers also believe that their employees do not care about the company's succession planning. This is attributed to two factors: According to participants in the study, the first reason is that employees who enter a family business know what the family organisational culture is. It goes without saying that at some point the next generation of the family will take over. Employees see this as a given.

The second factor, in owner-managers' opinion, is that employees have more pressing issues on their mind, such as whether their salary will be further reduced or if they will lose their jobs – which distracts from the issues of succession. Most owner-managers state that employees are more interested in what is happening in the short term than what may occur in the long run.

**Table B2.6.** Categorisation of responses to the question: Do you know what kind of rewards employees would consider as incentives to remain in the company?

In vivo codes – Respondents’ quoted statements	Categories
<p>‘Money is the motive of each employee and bonuses constitute proof that their hard work is recognised.’ (rfe2)</p> <p>‘The salary increases we offer at the end of each year are not pre-agreed but based on performance. Loyal and efficient employees should be rewarded.’ (rfe2)</p> <p>‘I have always done whatever I could to keep them satisfied. I offered gifts, trips abroad for training purposes, as well as bonuses. But now, that is all in the past.’ (rfe3)</p> <p>‘Up until last year I rewarded their success with either bonuses or a salary increase. This year I had to limit myself to offering moral satisfaction and a thank-you.’ (rfe4)</p> <p>‘To be with us for all these years, they must be satisfied. It is just that nowadays we cannot reward them financially. But we give them the opportunity to take initiative and have freedom of movement.’ (rfe5)</p>	<p><b>Business incentives for non-family employees</b></p>

### **Incentives for non-family employees**

Owner-managers admit that money is what employees consider as sacred incentive to keep them efficient and productive. They also recognise that capable and loyal employees should be appropriately rewarded. This reward comes in two forms: monetary benefits and workplace practices.

As according to most owner-managers financial benefits are the strongest incentive for employee motivation and engagement, they are also the primary tool that employers have at their disposal to show their appreciation of good work and loyalty. Depending on the company, this may be either in the form of a bonus at the end of the year or a salary increase. However, owner-managers state that employee rewards are not pre-determined but are at the discretion of the owner-manager.

At this point in time, however, financial rewards constitute a practice that companies have been forced to abandon. According 11 out of 12 owner-managers, with the financial situation of most advertising agencies being obviously dire, bonuses and salary increases are not an option.

As financial rewards are now out of reach, owner-managers confirm that most agencies turn to other workplace practices in order to show that they recognise the efforts of their employees. This is not to say that such practices were not employed in the past, but at present, and for most advertising companies, these are the only remaining tools.

Besides acknowledging and congratulating employees on their efforts and acknowledging their capabilities and loyalty, manager-owners say that they offer empowerment and added autonomy to employees who prove their worth.

**Table B2.7.** Categorisation of responses to the question: What are your clients' perceptions of your agency? In your opinion, how do your employees contribute to these perceptions?

In vivo codes – Respondents’ quoted statements	Categories
‘Although nowadays you cannot speak of clients, my clients stay with us because they get value for money creative work and service at its best.’ (caa1)	What clients want from an loyal advertising agency
‘Clients need their agency to deliver projects on time and on budget. And my client service director takes care of that personally, so our clients love her.’ (caa2)	
‘They find that my creative director is very talented and his innovative ideas keep them loyal to my agency, as clients find that creativity is rare in Cyprus.’ (caa3)	the employee factor (subcategory)
‘Clients demand continuously better, faster and cheaper service. My agency is committed to providing them with what they want. It is all about teamwork.’ (caa4)	
‘They prefer to deal with professional as well as friendly executives.’ (caa5)	
‘They feel that my agency is not moving forward as I haven’t invested in new media. Actually I need to bring in some young talented professionals.’ (caa6)	
‘They interfere in our work by dictating what the strategy and the creative should be. They want to be the master of the game, but this doesn’t work. At the end of the day it is all about respect in business relationships.’ (caa7)	

## **What clients want from an advertising agency**

Almost all of the advertising agency owner-managers participating in the study agree that advertising is about teamwork, not a one-man-show. In this client-led environment of advertising agencies, the human factor is central, as the success and the image of an advertising agency depend on the ideas and the quality of work that stem from the talent and the expertise of employees.

Owner-managers believe that being innovative and presenting original ideas to clients is a much sought-after skill that customers of advertising agencies are looking for as many clients feel this is an attribute that is in short supply in the market. Therefore, highly creative people are an asset for an advertising agency, and clients pay for creativity and new ideas.

Nevertheless, most owner-managers state that while clients come to advertising agencies for their advice, communications abilities and proactive new ideas, once there, they interfere in the process of the agency's work. This applies mostly to the younger generation of marketing executives who want to prove themselves.

In addition, owner-managers see that clients are demanding more and more from advertising agencies. Apart from creativity, clients expect instant response to their requests and delivery of work within very tight deadlines. Nevertheless, owner-managers believe that client loyalty no longer exists, as profit is the determinant factor of business relationships.

Owner-managers also mention that clients want to deal with employees who are able to develop cordial relationships with them, while maintaining their professionalism.

It is important to note that some of the owner-managers point out that agencies that want to be perceived by clients as having a higher value must redefine their value proposition in terms of new technologies and digital media, in order to meet clients demand for integrated communication services.

Finally, owner-managers stress the fact that client-agency communication is daily and ongoing; therefore the relationship must be based on mutual respect in order to achieve a productive flow of communication and quality service, while avoiding conflicts of personality that in some cases damage business relations.

**Table B2.8.** Categorisation of responses to the question: In your opinion, what is the media's approach to your agency? And why?

<b>In vivo codes – Respondents' quoted statements</b>	<b>Categories</b>
<p>'Media people are budget hunters. They value advertising agencies according to their budgets. When they smell money, they love us, otherwise they ignore us.' (mar1)</p> <p>'The agency-media relation is based on mutual profit-linked interests. Media need the agencies as much as agencies need the media.' (mar2)</p> <p>'Although there is little room for friendly relationships in our field, I have friends in the media who help me anytime I need better discounts for my clients, or any market information.' (mar3)</p> <p>'They are salesmen. They try to spoil the staff of my media department with parties and gifts just to secure more budgets than other media outlets.' (mar4)</p> <p>'They show respect towards my media team because they are established professionals in the field. Experience in media buying is rather rare in Cyprus.' (mar5)</p>	<p><b>Media-agency relations</b></p>

## **Media-agency relations**

When it comes to working with the media, 10 out of 12 owner-managers of advertising agencies agree that media outlets see an advertising agency as Euro bills. The more advertising agencies allocate budgets to media outlets, the more media people value the agencies and pay attention to their reward demands. Therefore, according to most owner-managers, high-income advertising agencies have many advantages over small ones as the former enjoy a privileged treatment by the media in terms of rewarding relationships.

Owner-managers of advertising agencies believe that most of the agency-media relationships are profit-linked relationships. The media need the agencies to survive, and the agencies need the media as an indispensable factor of their profitability.

Thus, some of the owner-managers conclude that in this highly competitive marketplace there is no room for sincere personal relationships. Some other owner-managers, however, state that they created and maintained friendly long-term relationships with media people, which that help in creating added value for both sides.

When it comes to employees of advertising agencies, owner-managers believe that media people keep an open line of communication and try to build a rapport with agency employees, especially with media planners and buyers who are responsible for handling and allocating advertising budgets. Moreover, media people seem to respect experienced and qualified media planners and buyers since media expertise is rather rare in Cyprus.



### **B3. Owner-managers' perceived behavioural control**

Cultural forces represent an important challenge affecting most managerial practices (Hofstede, 2001). Consistent with this assumption, the present study tries to examine the presence of cultural factors that may influence advertising agency owner-managers' organisational behaviour.

## Presentation of findings

**Table B3.1.** Categorisation of responses to the question: Do the culture, beliefs and traditions in Cyprus affect your organisational behaviour? If yes, in which way? If not, why not?

<b>In vivo codes – Respondents' quoted statements</b>	<b>Categories</b>
<p>'Yes, it is a fact that the stronger the foundation of the company with values and traditions, the better the management of the company. We do not want a culture of oppression, we want family values that strengthen the company and give it a chance to develop...' (ims1)</p> <p>'Not anymore. Culture and traditions have given way to professionalism.'(ims2)</p> <p>'If we were harder and did not have values, we would survive better. But unfortunately we look at things emotionally.'(ims3)</p> <p>'The culture, the traditions in Cyprus are such that they affect you in how you deal with your employees and how you manage your office. But you cannot count on your employees. You try to control them and run everything yourself because they cannot be trusted. They will either leave to start their own business because they believe in easy wealth, or they will do jobs behind your back.'(ims4)</p> <p>'Definitely the culture of Cyprus affects the management style. And as a manager you need to take into account local realities such as bad work ethics and spoiled young employees with no appetite for work, who want a lot, offer little and want everything in advance.'(ims5)</p>	<p><b>Impact of Cyprus culture on management style</b></p>

## **Impact of Cypriot culture on management style**

Owner-managers express different opinions regarding the influence of Cypriot culture and values on their management style.

Some owner-managers feel that Cypriot culture at the workplace constitutes a cordial, friendly and supportive environment. Some companies try to adhere to such values, believing that they reinforce unity, commitment and performance and contribute to the company's best interest. According to owner-managers, an attitude of tolerance, understanding and openness towards the employees creates strong bonds, while running a business without compromising core cultural values can form a basis for a thriving family business and business family.

Other owner-managers, however, note that this set of values has been abandoned in favour of a more professional set. This can be either because owners-managers have come to recognise that this is a more efficient way of running a company, or because the economic crisis has made them take a sterner look at how their company is run, and to adopt a more formal and less friendly management style towards their employees.

Some of the owner-managers spin the issue on its heels by stating that their management style is affected by the Cypriot culture they encounter at the workplace. They address the issue not in the sense of what values and traditions they bring to the table themselves, but rather in terms of how their management style needed to be adapted because of the values and cultures that employees bring with them to work. A common concern raised by such owner-managers is the attitude exhibited by younger generations of Cypriots, who have been raised under conditions of economic prosperity, for a fast profit with minimum effort. More specifically, owner-managers support that young employees in their 20s and mid 30s need constant mentoring as they cannot work independently, yet at the same time feel and behave like they are entitled to everything without giving much in return.

## **C. CLIENTS OF ADVERTISING AGENCIES**

Unless clients need advertising services, an advertising agency cannot exist. Thus, investing time in understanding clients' needs and creating and maintaining successful relations with this stakeholder group is crucial.

### **C1. Attitudes of clients as important stakeholders towards owner-managers and employees of family-owned advertising agencies – Presentation of research findings**

On a daily basis, clients spend a significant amount of their tight schedules building brands in close relationship with advertising agency people. Therefore, client attitudes formed from personal experience and observations regarding succession related agency issues should be taken into consideration when creating the framework for a succession model, in order to avoid a twist and keep the balance in existing client-agency relations.

## Presentation of Findings

**Table C1.1.** Categorisation of responses to the question: Do you know the owner-manager of your advertising agency personally and how would you describe your relationship?

<b>In vivo codes – Respondents' quoted statements</b>	<b>Categories</b>
<p>'My relationship with the owner-manager is professional and formal. I don't have to deal with him a lot.' (com1)</p> <p>'Our relationship is professional and became friendly over the years, like most business relationships in Cyprus.' (com2)</p> <p>'I know the owner-manager, but I keep our relationship strictly formal.' (com3)</p> <p>'Because of my responsibilities in the marketing-communication dept, I visit our agency very. So I had the chance to meet the owner.' (com4)</p>	<p><b>Type of client-owner-manager relationship</b></p>

### **Type of relationship of clients with owner-managers**

The participants in this study are marketing managers, brand managers and manager level employees responsible for the communication and advertising activities of their company. Their responsibilities, such as design and development of advertising and communication strategies and campaigns, bring them into very frequent contact with the advertising agencies that handle their advertising accounts.

Clients-participants in this research state that because of the position they hold, they had the opportunity to meet and get to know the owner-manager of their advertising agency. The level of relationship, however, differs significantly. Some have been introduced to the owner-manager but do not have to deal with him/her on a regular basis. They consider their relationship to be on strictly professional and prefer to keep it that way.

In other cases, however, years of cooperation have helped to develop the relationship beyond a formal level. It is implied, by participants in the study, that this is the 'Cypriot' way of doing business, meaning that long-term business relationships often develop into friendship.

**Table C1.2.** Categorisation of responses to the question: Do you think that the status of ownership affects either your respect towards the manager or your professional relationship with the agency?

<b>In vivo codes – Respondents' quoted statements</b>	<b>Categories</b>
<p>'Who cares who the owner of the advertising agency is? Whoever she/he is, whether owner or non-family manager, her/his status does not generates respect in itself.</p> <p>What matters is for my work to get (owns1)</p> <p>'Only the quality of work the agency delivers can influence my respect for the owner-manager of the agency.'(owns2)</p> <p>'Ownership does not count for me, but for <i>client</i> our General Manager, although he is not often involved in advertising issues, it may matter who the owner of our advertising agency is, especially when it comes to choosing an agency for long-term cooperation.'(owns3)</p> <p>'The ownership status of the agency's manager is a source of assurance for our General Manager it, as to the performance and quality of work of the agency'(owns4)</p>	<p><b>Impact of ownership status on business relationship with clients</b></p> <p><i>indifferent for employees of client done.'</i> <i>companies (subcategory)</i></p> <p><i>important for General Managers of companies (subcategory)</i></p>

### **Impact of ownership status on business relationship**

Clients of advertising agencies assert that the ownership status does not affect the relationship they maintain with advertising agencies, nor does it influence the degree of respect they have for the person who is in charge of a family-owned advertising agency, whether owner or non-family manager.

All participants in the study confirm that their primary concern is the level of service and the quality of creative work they receive. They therefore believe it is irrelevant who the owner of the advertising agency is, since great advertising ideas are developed by talented people working together. In the clients' view, superior results delivered by the agency are what generate respect for the agency's owner-manager.

According to the participants in the study, even though non-family executives of client firms may not place significance on the ownership of an advertising agency, their General Managers may do so. General Managers of client firms are not involved on a daily basis with their advertising agencies but have a say when strategic decisions are made for long-term cooperation with such agencies. When choosing an advertising agency, the ownership status of advertising companies may be taken into consideration.

Moreover, some clients confirm that the General Manager of their company believes that owner-managers have more of a vested interest in their company performing well than non-family managers. In such instances, owner-managers status is considered an assurance that the level of service will be of high quality.



**Table C1.3.** Categorisation of responses to the question: Which personal and professional qualities do you consider to be important for an advertising agency manager?

<b>In vivo codes – Respondents’ quoted statements</b>	<b>Categories</b>
<p>‘The advertising manager should be experienced in the management and handling of human relations, efficient in problem-solving and reliable in meeting deadlines.’ (ads1)</p> <p>‘He/she should generate new ideas, not just implement the client’s brief as is usually the case in Cyprus.’ (ads2)</p> <p>‘He/she should be well connected with media groups as this can deliver better pricing and discounts for us when it comes to media planning and buying.’ (ads3)</p> <p>‘The manager of an advertising agency is expected to have thorough knowledge of his clients’ products and services, as well as those of his competitors.’ (ads4)</p>	<p><b>Advertising manager’s required skills</b></p>

### **Owner-managers' required skills**

Clients of advertising agencies number a series of attributes that they consider necessary for an advertising agency manager.

Based on the clients' responses, these attributes can be divided into two distinct groups. The first group of attributes relates to the management style and reflects positive professional practices. Such attributes, as clients support, include maintaining good communication channels within the company and with clients, being resourceful, having problem-solving abilities and human resource skills, being efficient and able to oversee delivery of results within agreed timeframes.

The second set of skills is directly related to the specific field of work. The majority of clients of advertising agencies state that they expect the managers of these agencies to have a good understanding of the market, the products and services available, as well as insights into the consumers' frame of mind.

4 out of 5 clients also explain that they want managers of advertising agencies to be innovators and in a position to offer clients new ideas. This is an area where clients of advertising agencies find the market to be lacking. In fact, they note a lack of generation of original ideas in Cyprus, as most advertising agencies tend to stick to established practices and approaches that they are familiar with.

Some clients of advertising agencies also point out that the owner-managers of such agencies should have a good working relationship with the media. This allows them to benefit from preferential pricing of advertising time and space, and to pass on the discounted cost to their clients.

**Table C1.4.** Categorisation of responses to the question: Do you think that the owner-manager of your agency prefers that you contact him directly? If not, does she/he keep control over the client-employee communication?

<b>In vivo codes – Respondents’ quoted statements</b>	<b>Categories</b>
<p>‘No, he prefers if we speak to the appointed employees. At least that is what I think, but that is also how advertising agencies work.’(cac1)</p> <p>‘He is the manager and he has the appropriate employees to whom he delegates duties, and they handle clients accordingly.’(cac2)</p> <p>‘We prefer to talk directly with the account manager and I believe this is what the manager of the advertising agency prefers as well, as this way the flow of communication is faster.’(cac3)</p> <p>‘It is not the manager’s duty to handle projects. Account handling is the account manager’s task, that’s why I contact him/her directly.’(cac4)</p> <p>‘Going through the manager doesn’t mean better or faster service.’ (cac5)</p> <p>‘In case of problems and disagreements in the process of work, both my general manager and I contact the owner manager, as we consider him responsible for solving problems.’ (cac6)</p> <p>‘He oversees the communication by being cc’d in any electronic correspondence, but not in the sense that he wants to restrict it, just to keep himself informed and to control the development and quality of projects.’(cac7)</p> <p>‘It is about control mechanisms to guarantee quality. Checking is not because of lack of trust towards the employees, but for quality purposes.’(cac8)</p> <p>‘The owner-manager intervenes in our communication</p>	<p><b>Client-agency communication</b></p> <p><i>clients’ open communication with agency’s employees (subcategory)</i></p> <p><i>clients’ communication with the agency’s owner-manager (subcategory)</i></p> <p><i>control of owner-manager over client-agency communication (subcategory)</i></p>

with the agency when it comes to issues like pricing  
that need to be handled by the manager.' (cac9)  
'Outside the agency, the manager cannot control the  
kind of relationship between client and employee.' (cac10)

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### **Client-agency communication**

According to 4 out of 5 clients of advertising agencies, the owner-managers of these agencies prefer their clients to contact their appointed account managers directly and not them. This is a practice that clients of advertising agencies say they also tend to prefer and consider as being the appropriate way to communicate with their advertising associates.

Nevertheless, the majority of clients participating in the study (4 out of 5) state that in case of conflicts between clients and agency people or disagreements in relation to the development or outcome of advertising campaigns, both employees and managers of client firms have the tendency to contact the owner-manager of the advertising agency directly, as they consider him/her responsible for decision-making and problem-solving.

Clients of advertising agencies do not believe that going through the manager will result in better or faster service. The manager of the advertising agency cannot be expected to handle personally all projects of the agency and to be available to provide support at a moment's notice. This is seen as the role of the account manager to whom clients have direct access.

Moreover, clients of advertising agencies state that they have not noticed that the managers of advertising agencies try to restrict the communication of their employees with clients. On the contrary, managers appear to favour direct communication between the two, as this results in a faster and easier flow of communication.

According to 3 out of 5 participants in the research, this does not necessarily mean, however, that the manager does not monitor the communication between his employees and clients.

Clients support that owner-managers are included on the recipients list of electronic communications with clients as a means of keeping them informed as to the status of a project. But managers will not intervene in this communication, unless important issues, such as pricing, come up and need to be addressed directly by the manager.

Most clients agree that for owner-managers, overseeing the communication with clients is also a way of keeping tabs on the level of responsiveness and the quality of service that clients enjoy. In this context, the owner-manager monitors communication in order to control the quality of service provided to clients, a fact that demonstrates the owner-manager's power to control organisational procedures.

Some clients of advertising agencies also note that there is a limit as to how much control an owner-manager can exert over the relationship between his employees and clients. Owner-managers cannot monitor whether the relationship between employee and client grows outside of the working area and the two build a closer relationship.

**Table C1.5.** Categorisation of responses to the question: In your opinion, should key employees be ‘successors’? And what do they think about succession planning?

<b>In vivo codes – Respondents’ quoted statements</b>	<b>Categories</b>
‘Because of my position, I met some capable, experienced employees, especially in large agencies, who had the opportunity to be trained and earned valuable experience, and who could succeed the owner-manager of the advertising agency. But succession is a family matter in Cyprus.’(suc1)	<b>Clients’ considerations regarding succession</b>
‘It is unlikely that an employee will succeed the manager. Not because they do not have the skills, but because succession stays in the family.’(suc2)	<i>Non-family employees and the family firm’s succession (subcategory)</i>
‘I believe that key employees take it for granted that succession is a family matter.’(suc3)	
‘Everybody knows that the business stays in the family.’	
‘I am not sure how non-family employees really feel about the fact that the business will most probably go to the next generation.’(suc4)	
‘I suppose at least the employees I know could be skilled managers. Anyway, we don’t discuss succession, but I assume they know what will happen, whether they like it or not.’(suc5)	

### **Clients' considerations regarding succession**

Most of clients of advertising agencies state that due to their position and experience in the market, they had the chance to meet many capable non-family employees who could succeed the owner-managers at the agencies they cooperate with. Some of the clients are more certain than others as to the existence of competent individuals that should succeed the current management; others note that this holds more true in the case of larger advertising agencies where employees had the opportunity to be trained, deal with various clients and cases of advertising projects, and gain valuable experience necessary for the position of General Manager of an advertising agency.

It is worth noting that even though skilled individuals may exist, clients of advertising agencies doubt that non-family employees would be allowed to rise to the top. Participants in the study argue that the fact that advertising agencies are family owned and managed agencies limits the possibility of a non-family member becoming General Manager. All clients recognize that succession is a family matter in Cyprus and this view is widely known and accepted. Thus, in most clients' opinion, it goes without saying that non-family employees of advertising agencies take it for granted that they are not considered to be potential successors and they do not have any false hopes.

Still, clients of advertising agencies state that they are not aware of how the employees of such agencies feel about the succession plans of their companies. As clients say, succession is not an issue for discussion, nor an issue that they have voiced their opinion on.



## **D. MEDIA**

The media are defined as communication sources such as radio, television, magazines and newspapers that reach a wide audience. For over 100 years, advertising and media have coexisted, and traditionally, media suppliers prefer to deal with advertising agencies that function as a professional liaison between them and the advertisers. This is because media planning and buying is typically beyond the expertise and resources of a client- advertiser. In this business relationship, the agency is responsible for placing the advertising message on a client's behalf. Depending on contractual terms between the owner-manager of the advertising agency and the marketing director of the media outlet, the agency gets media commission and media volume discounts which constitute the agency's main source of income. That is why media people are considered to be important stakeholders in the advertising agencies' action field and their opinion is valuable in evaluating the prospects of succession planning for advertising agencies.

### **D1. Attitudes of Media people regarding ownership, leadership, succession Presentation of research findings**

Given the importance of the media as one of the main and most profitable activities of advertising agencies, the attitudes of media people towards agency succession related issues should be taken into account while illustrating the framework of agency leadership succession in order to ensure a smooth leadership transition.

## Presentation of Findings

**Table D1.1.** Categorisation of responses to the question: What is the meaning/importance of the owner-manager in your professional relationship with the advertising agency?

In vivo codes – Respondents’ quoted statements	Categories
<p>‘The role of the owner-manager is highly significant in the cooperation with the mass media because he handles commissions returned to the agency by the media.’ (omm1)</p> <p>‘He is the person with whom we negotiate all financial agreements.’ (omm2)</p> <p>‘He has the final say on advertising budget allocation to media channels, taking of course into consideration existing data such as reach, share and profile.’ (omm3)</p> <p>‘The owner-manager is very important. There is budget management going through a lot of people in the agency, such as media planners and account handlers; and due to the relations we maintain with him/her, the owner-manager can protect a media outlet from any biased and unfavourable treatment.’ (omm4)</p>	<p><b>The importance of the owner- of the owner-manager of an advertising agency for the media</b></p>

### **The importance of the owner-manager of an advertising agency in relation to the media**

Marketing managers of media outlets ascribe high significance to owner-managers of advertising agencies, as the latter handle financial agreements and have the final say on issues such as the level of commission returned to the agency by the media, which dictate the working relationship with different media outlets. More importantly, in the opinion of most media people, owner-managers of advertising agencies are seen to have the final say on budget allocation regarding their clients' communication campaigns and how these budgets are distributed among different media outlets.

The manager of the advertising agency is regarded as the person responsible for the appropriate distribution of the communication budget to media outlets, given the profile of their audience and the penetration of each media in targeted market audiences. Media people participating in the study support that when media outlets feel that the budget has been distributed unfavourably against them due to the personal preferences of the agency's media planner or account handler, they will turn to the owner-manager of the advertising agency to correct this. In this context, media people assert that the owner-manager of the advertising agency is considered to be the safeguard that budgets are distributed fairly among media outlets, and the person to talk to when this is not the case.

**Table D1.2.** Categorisation of responses to the question: What is the impact of ownership on your professional relation with the agency? Do you think that ownership is a source of respect?

In vivo codes – Respondents' quoted statements	Categories
<p>'The fact that the manager is also the owner of an advertising agency doesn't affect our relationship. What it is important for us is to cooperate with a dynamic manager who controls the advertising budgets.'(imp1)</p> <p>'The personality, honesty, integrity, managerial and communication skills, and the whole package as a person is what affects our relationship. Not the ownership status.' (imp2)</p> <p>'Ownership status can contribute towards building a friendlier relationship and acts as a catalyst in decision-making. But ownership is not a source of respect.' (imp3)</p> <p>'In the advertising business, thorough knowledge of the industry generates our respect.' (imp4)</p> <p>'Sometimes the wealth emanating from ownership status affects the manager in a negative way. Instead of developing his/her agency, he/she becomes arrogant just because he/he is the rich owner.' (imp5)</p> <p>'I have never noticed any owner-manager interfering in the communication between media and agency employees nor showing off that he is the boss.' (imp6)</p>	<p><b>Impact of ownership on the agency-media relationship</b></p>

### **The impact of ownership on the agency-media relationship**

According to the majority of participants in the study (4 out of 5), the fact that the manager of an advertising agency is also the owner does not have an impact on the relationship of the advertising agency with the media. Media people say that the manager is important because of his/her control over advertising budgets. The fact that he/she is also the owner of the company does not add anything to the relationship. 4 out of 5 media people participating in the study also assert that other attributes that the manager may have, like honesty and integrity related to how he/she runs the business and cooperates with business associates, are considered more important in terms of the relationship with business associates.

At the same time, according to most media marketing managers, the fact that the manager is also the owner of the company does not automatically inspire more respect. Directors of media outlets note that the fact that the manager is also the owner may facilitate creating more cordial relationships and offers more decisiveness on an executive level, but is not on its own a source of respect.

In addition, some media people note that the financial benefits of being the owner-manager of an advertising agency may have a negative impact on the agency's image and evolution. Specifically, media people support that most of the business dealings depend on the owner's competences and on how much effort he/she puts into work. Thus, in their opinion, a wealthy owner may not be as client-oriented as the owner of an advertising agency who relies on his/her company's revenue for survival. Likewise, most media people believe that an owner-manager with little knowledge of the advertising field in Cyprus is unlikely to command the respect of his/her colleagues.

Finally, marketing managers of media outlets do not find that owner-managers make a point of emphasising that they are the 'boss' of their company. Besides the fact that they have never witnessed behaviour indicative of such a stance, media people point out the fact that open

communication channels exist between media and agency employees, and owner-managers do not intervene in the communication.

**Table D1.3.** Categorisation of responses to the question: Do you believe that a non-family employee could be a successor? If yes, how would you behave towards her/him?

In vivo codes – Respondents’ quoted statements	Categories
<p>‘Any intelligent person with some years in the business and aware of the existing culture can figure out what will happen in the agency when succession time comes.’ (suc1)</p> <p>‘We take it for granted that the children of the owner will grow up, study and take over the business, and so do the employees, although they don’t discuss succession openly.’ (suc2)</p> <p>‘It depends on the non-family manager’s personality and his/her skills as a manager whether we will welcome him/her or not in case of management transfer.’ (suc3)</p> <p>‘Our cooperation will continue as it was. That’s our job after all.’ (suc4)</p>	<p><b>Media people stance towards agency’s succession</b></p>

### **Media people's stance towards an agency's succession**

Marketing managers of media outlets state that it is common practice in Cyprus to keep the management of the business in the family, and that succession is primarily associated with the owner-managers' offspring. Therefore, in the media people's opinion, the likelihood of non-family employees succeeding the owner-manager is non-existent, as the influence of cultural values on the way succession is perceived is very strong.

Media people also state that employees take it for granted that they are not part of the family owned and managed advertising agency's succession. They are either informed as to who is next in line for succession, or can deduce it themselves. However, according to media people, employees are very discreet and do not discuss this issue with their business colleagues.

4 out of 5 participants in the study state that media outlets would not change their stance towards a family controlled advertising agency in case of leadership transfer to a non-family member. They confirm that they would continue their cooperation with the advertising agency as usual, as this is one of the most important aspects of their job. However, in their opinion, the prospects of building strong relationships with the next leader depend entirely on the personality and professional skills of the new manager.



## **CHAPTER 5**

### **ETHICS AND POLITICS IN RESEARCH – ETHICAL CONSIDERATIONS**

Social science research raises ethical issues, since it is concerned with collecting data from people (Fox, Martin & Green, 2007), and even more so in the case of a work-based project, where the subjects under research are usually colleagues of the insider researcher. Thus, designing a work-based project includes very careful consideration of ethical issues to ensure that are overcome a priori.

This particular research project took place in the field of the researcher's expertise, which is that of advertising. Therefore, the permission of the owner-manager of the company was secured after having discussed with him in detail the context of the project, the aims and objectives of the research, and the benefit of the outcome when implemented in the company.

Confidentiality is assumed to be an integral feature of ethical research. Particularly, as Cyprus is a very small society, it is ethically right not to reveal certain data, figures and names that could expose participants in the research project, or other people and business entities involved. Thus, in this particular research case, confidentiality was maintained in respect of data gathering and data processing, in order to protect personal and corporate privacy.

Moreover, being an insider researcher, the researcher was offered access to archived secondary data, which raised the issue of confidentiality and concerns in respect to the control over deposited data. However, this ethical problem was overcome by securing the consent of the owner-manager to use data archives in the process of research, and by respecting the interests of the company in respect to top confidential data.

The anonymity of participants is another issue linked to ethics in research. Thus, the researcher's concern was to protect the identity of research respondents and maintain

anonymity when desirable, without underestimating the likelihood of research participants wishing to be acknowledged in published research.

The benefit of trust in the researcher constitutes a prerequisite for successful research. Therefore, to eliminate any feelings of mistrust, secure reliability and gain confidence in the researcher's goodwill, a written explanation including the project's purpose, research procedures and methodological techniques was given in advance to all research participants. Moreover, interviews and focus groups took place in neutral locations outside Contact Advertising – the researcher's workplace – at a place and time convenient for all participants. No voice recorders or cameras were used in the course of data gathering, so that people participating in research would feel more comfortable.

Vulnerability of participants also constitutes an ethical concern that needs very careful consideration. In many cases, people – especially colleagues and work subordinates – feel obliged to participate in research undertaken by a senior manager, but are reluctant to discuss issues regarding aspects of their professional environment. Therefore two measures were taken: The first was to reassure participants that the codes of ethical conduct related to voluntary participation in research and participants' consent at the point of data collection would be respected, and the second was to explain exactly how the outcome of the research would benefit all involved in the research.

'Power and politics' is another area that raises a range of ethical issues, particularly in the present study, not only because of the researcher's current senior position within her work organisation, but also because of her role in the project as an insider-researcher working collaboratively with her colleagues. Indeed, the researcher's position as Client Service Director amplifies the issue of power in the relationship with work subordinates-participants in the research process. In fact, junior colleagues might feel vulnerable when answering controversial questions or discussing aspects of their organisational environment that could reveal their opinions and perceptions of the management. Indeed, the researcher had concerns

about undertaking research in her community of practice and interviewing her colleagues while at the same time being in a privileged and powerful position. Thus, she went to great lengths to demonstrate sensitivity. At no time and in no way did she use her position of authority to manipulate research participants – especially junior colleagues – in a way that could affect the outcome of her research.

Also, people in power, such as family business owners, may feel uncomfortable discussing family and confidential business matters. They might also be suspicious and mistrustful in relation to the intentions of the research. However, by demonstrating integrity, promising confidentiality, and explaining the purpose of the project, the researcher managed to eliminate suspicion and reassure all the participants that there was no hidden agenda behind her research. As a result, the participants accepted to contribute with enthusiasm to the success of the project. The fact that both colleagues and external partners view the researcher as a person of high integrity eliminated any doubts and increased their willingness to participate in this specific research and to contribute to a research outcome that will drive organisational changes in a direction that would benefit everyone involved.

The research outcome is a model of leadership succession, designed to balance the contrasting interests of the four major stakeholders in advertising agencies, including the owner-manager of Contact Advertising – the researcher's work organisation – who is also the main stakeholder in this research project. Thus, the researcher faced a major challenge: to assess the power interests of this particular stakeholder and make a stand for integrity in research without any knowing what would be a satisfactory outcome for this stakeholder. In turn, since the researcher considered that investigating the issue of succession in advertising agencies would be useful to her professional community, she felt the responsibility to carry out research that fulfills the purpose and requirements of the given research project and carefully overcomes any conflict of interest among stakeholders.

Subjectivity is another issue that raises ethical considerations. As all research is shaped to some extent by the position of the researcher, the context of the present work-based project is influenced by her ideological position and values as a researcher and practitioner. Since research took place in the researcher's professional field, exploring and explaining aspects of her professional reality, the researcher was well aware that her personal and emotional engagement in the process of selecting data, interpreting and evaluating findings had to be minimized in order to maximize objectivity.

The issue of subjectivity also arises in interpretation of interviewees' responses or opinions, where the personality of the researcher plays a crucial role. Thus, the researcher managed her values, perceptions and attitudes such that they would not interfere with the interpretation of meaning, and the difficulties of crossing the personal/professional boundary were overcome. The emotional impact of research on the researcher and the effect of personal relationships between interviewer and interviewees were kept neutral in the process of decoding the meaning by adopting a reflexive position.

As far as the social and economic implications of this study are concerned, the researcher believes that the outcome of the project – a framework for leadership succession in family-owned advertising agencies in Cyprus – could offer social and economic benefits for both small and medium-sized family business owners and their employees. If implemented at the workplace, it would secure future value for the business entities and career prospects for non-family employees.

## **CHAPTER 6**

### **DISCUSSION**

The main purpose of the present study was to explore the stance of the four major stakeholders in family-owned advertising agencies in Cyprus towards succession. Based on a critical reflection of the views, suggestions and recommendations of such stakeholders, a framework of succession for small and medium-size local advertising agencies was developed.

Existing literature on succession focuses on founding-managers and the owning family, revolving around management and financial issues, power and conflict issues. This study adds to existing literature by taking into account not only the beliefs, attitudes and intentions of owner-managers regarding the family firm's succession, as well as their perceptions of people who are influential in owner-managers' work, but also of other important stakeholders at the workplace such as clients and media. In particular, the results of the present study emphasise the attitudes and perceptions of non-family employees on succession issues, as well as on owner-managers, clients and media who play an important role in the non-family employees' workplace and the wider environment of an advertising agency. Moreover, this study highlights non-family employees' behavioural intentions to stay or leave the family business, based on their attitudes towards succession in their workplace, their perceived feasibility of staying or leaving their current job, and on their perceptions of the expectations and beliefs of owner-managers, clients and media in connection with succession issues.

Below is a discussion on the findings of this study, addressing each of the four major stakeholders in advertising agencies separately and in connection with relevant existing literature.

## **Non-family employees**

Non-family employees form a large proportion of employees in many family firms, and they play an important role in the transgenerational survival of those firms (Memili, 2006).

Therefore, this study emphasises this stakeholder group in connection with succession issues in family firms – a scarcely researched subject to date.

Carmon, Miller, Raile and Roers (2010) note that the non-family members' identity within a family business results in an out-group status. Non-family employees do not perceive themselves as similar to family member employees in terms of values and attitudes, nor do they feel that they are treated the same way. The involvement of family members in the business prevents non-family employees from having access to managerial roles. In agreement with Carmon et al. (2006), the present study's findings suggest that non-family employees take it for granted that succession is a family matter. Since they do not belong to the family, they do not consider themselves candidates for succession. This employee perception is further enhanced by the existing culture in Cyprus regarding family firms and the collective social perception that family business succession remains a family issue.

Moreover, consistent with Ajzen's Planned Behaviour (1991), this study's findings support that non-family employees' perception of what succession in a family business involves is not based only on their own beliefs. Rather, it is influenced by their perception of how their subjective norms (owner-managers, clients and media) conceive the non-family employee's position in the family business, as well as and the non-family employee's eligibility for succession.

Contrary to Carmon, Miller, Raile & Roers (2010) assumption that organisational identification of non-family member employees mediates the relationship between organisational justice, homophily, and commitment in family businesses, this study reveals that non-family employees assume they are not eligible for succession candidacy. Having limited their employee status in this way, they do not attempt to determine their role in the

family business; they believe that the employee role is a priori clearly determined. And yet, due to the non-identification with the family business and their perceived sub-group status in the firm, non-family employees define their own interests, attitudes, duties and responsibilities towards other stakeholders involved in the working environment, as they themselves are nevertheless stakeholders in family owned and managed advertising agencies.

To this extent, with reference to Freeman's Stakeholder theory (1984) which claims the existence of competing interests among stakeholders in a firm, even though non-family employees are important stakeholders in family advertising agencies, they do not see succession as a source of conflict of interest between owner-managers and non-family employees. They are fully aware that means the business will stay in the family, and therefore, succession does not represent a competing interest between owner-managers, family employees and non-family employees. However, the nature of family businesses as well as the concept of familiness, which according to Chrisman, Chua & Litz (2003) is based on a clear family business identity and personality and the interaction between the family, the owner- managers and the business, relate the stakeholders theory to non-family employees as stakeholders in advertising agencies. Specifically, as Barnett & Kellermans (2006) support, perceptions of injustice are generated among non-family employees due to the fact that family businesses are characterised by a founder-centric culture and nepotism. Indeed, this research's findings show that mostly in first-generation Cypriot family advertising agencies, the business is the founder and the founder is the business, where management, leadership and power are formed around an actively involved, dominant family owner-manager and may be extended to his/her family. Therefore, working in such a business setting, non-family employees often experience unfair treatment, such as discriminatory behaviour and reactions based on their non-family employee status.

This sense of injustice may in turn have an impact on employees' performance and their ability to cope with work, thereby disrupting organisational attitudes and possibly behavioural intentions and outcomes as per Ajzen (1991), such as non family-employees' intention to stay

in the family firm as well as their emotional connection and commitment to the company that results in high-performing employees. That is why, according to the findings of this study, acts of disrespect can cause significant psychological distress among non-family employees and may lead to employee withdrawal. By contrast, owner-managers who show respect will reap the positive benefits of increased productivity. Still, as the owner-manager-the boss is an integral part of employees' lives at work, this study supports that non-family employees need to enjoy a relationship of mutual professional and personal respect. In fact, when speaking about treatment at the workplace, the desire to be treated with dignity and respect is at the top of non-family employees' list. In addition, it is noted that positive links exist between psychological ownership and employees' attitudes and commitment, behaviour and performance (Van Dyne & Pierce, 2004).

Indeed, mutual respect is one of the major factors that promote a feeling of psychological ownership (Sieger, Bernhard & Frey, 2011) having the same effects as formal ownership (Pierce, Kostova & Dirks, 2003). Specifically, this study shows that non-family employees may develop possessive feelings for their workplace: a bond of integration of employees with the organisation occurs due to situational forces such as the owner-manager's culture, i.e. the management practices and behaviour towards non-family employees. Therefore, as per Freeman's (1984) ideas, it is upon the management to handle such a case concerning stakeholders' interests. In particular, it is the management's responsibility to recommend methods that respond to the needs and interests of non-family employees as stakeholders in the workplace. Consistent with Carmon, Miller, Raile & Roers, (2010) business owner-managers should create an organisational environment where non-family employees will perceive themselves as fairly treated, sharing the same values and vision as family employees and focusing on a common goal – that of the company's continuity and growth.

However, this study's findings reveal that non-family employees of advertising agencies view participative management with distrust. This may be because participation is not consistent with the national culture of Cyprus, as defined by Stavrou & Eisenberg (2006). In view of the



fact, as the researchers support, that in Cypriot firms the employee participation in decision-making is limited and organisational structure and procedures are highly centralised, employees do not feel comfortable with participative management. Indeed, according to this research's findings, and given that non-family employees have limited access to the decision-making process and no participation in the board of directors (Lubatkin, Schulze, Ling & Dino, 2005), they are likely to feel relieved. Often they fear the conflicts and problems that may arise from disagreements with the owner-manager or other family members in the advertising agency on whether certain decisions or the execution of a project were right or not.

Surprisingly, non-family employee attitudes and opinions towards the prospect of being involved in the family firm's succession are not as expected. While it is assumed that talented employees leave the advertising sector because of lack of career prospects in family owned and managed advertising agencies, this study's findings show that non-family employees have no aspirations to be part of their company's succession planning. In fact, despite some feelings of unfair treatment by the owner-managers, non-family employees consider their existing role in the family business as satisfactory in terms of duties. They believe that participation in the firm's succession planning will only increase their responsibilities, with nothing in return, as legal ownership remains in the hands of the owner and the owning family. Non-family employees also believe that participation in the firm's succession planning would be psychologically stressful as, consistent with Poutziouris (2008), owner-managers do not trust anyone else to take control and will be monitoring any decision and action taken by someone else.

Employees' intention to leave the workplace is apparently not related – a least not directly – to their exclusion from the family firm's succession planning. Findings reveal that the main drivers of such intentions are salary cuts and a perceived threat of being sidelined by offspring who take over the company, which is another source of employees' perception of injustice. Still, a latent relationship exists between employees' behavioural intention (Ajzen & Fishbein,

1980) to stay or leave the workplace and the implementation or not of formal succession schemes that involve professionals outside the family. From this point of view, this relationship is revealed to be very significant when taking into consideration that the employee injustice perception is that of a future threat to their vested rights as employees. Indeed, as Lubatkin, Schulze, Ling & Dino (2005) support, in family firms where family and business identities are integrated, non-family employees have limited access to managerial prospects, the decision-making process and participation in the governing board. However, they might be given the opportunity to play a more constructive and important role in family firms where the family and business identities are separated (Sundaramurthy & Kreiner, 2008).

Due to the fact that in this specific time context the economic environment has dampened aspirations and desires, according to this study's findings, non-family employees are content to simply have their job, despite any threat they may feel or experience at their workplace. This is in agreement with Hofstede's (1997) uncertainty avoidance dimension, which reflects the feeling of threat that is generated by uncertain or unknown situations and is experienced by people in a particular cultural setting. Indeed, in an economy with fewer jobs available, employees are more risk-averse and appear less likely to make a move from any perceived job security, no matter how unjustly treated they may feel. Nevertheless, this research's findings confirm that apart from job security, almost all other factors that influence employees' attachment to their jobs – such as good salary, recognition of performance, job satisfaction and a pleasant, supportive work environment – are related to the owner-manager's managerial culture. Such factors influence, in line with Van Dyne & Pierce (2004) and Foret & Love (2008), employees' justice perceptions and affect, as this study's results reveal, employees' perception of the ideal job with subsequent positive work outcomes like affective commitment to the work organisation.

In addition, the above-mentioned set of factors (good salary, recognition of performance, job satisfaction and pleasant, supportive work environment) constitute the underlying factors of

employees' behavioural intention to stay in family businesses. Consequently, in agreement with Sieger, Bernhard & Grey (2011), this study suggests that, in the employees' perception, it is up to owner-managers to create and maintain an organisational culture that encourages employee motivation and engagement. It is important to note that according to this research's findings, the degree of employees' emotional attachment is linked to the respect that owner-managers show towards employees as individuals and as professionals, as well as to the feelings of belonging to the business family and the years of employment at the same firm. The longer the period of employment, the stronger the emotional bond with the workplace. The behavioural intention of employees to stay or leave the workplace is also affected by the degree of their emotional attachment to the family firm they work. In addition, this study's findings reveal that, consistent with Van Dyne & Pierce (2004), the stronger the emotional attachment is the more decisively engaged are employees in their intention to stay at the workplace and contribute to the firm's prosperity. To this extent, as Astrachan & Pistrui (2002) support, non-family employees' affective commitment and feeling of belonging to the family firm are positively related not only to the profitability but also to the survival of family firms.

Indeed, appreciation is a fundamental human need, and employees want to be respected, recognised and valued for their contribution to the family firm. In this particular study, findings show that non-family employees of advertising agencies emphasise their emotional bond with their workplace using emotionally charged language, e.g. 'I love my company' or 'I sacrifice better career opportunities out of love and commitment to my work'. They also over-project themselves as being loyal and unselfishly hardworking employees without expecting anything in return. Monitoring such an employee self-image may lead to the assumption that emotional attachment is linked, in the perception of non-family employees, with the urge to be a member of a community (Hofstede, 2001), as well as with the need for work permanence in the sense of security and stability or for avoidance of uncertainty. This can be explained by Hofstede's dimension of individualism–collectivism, which supports that

in collectivist cultures like Cyprus (Stavrou & Eisenberg, 2006), social identity is based on group membership and greater emphasis is given to belonging as opposed to personal initiative. Moreover, such emotional expression by employees may be explained by Hofstede's uncertainty avoidance dimension, according to which people in uncertainty avoidance cultures like Cyprus are more expressive. Thus, such an association of ideas and feelings in employees' mind most likely results in work attitudes and perceptions that guide the employees' behavioural intention to remain at the workplace.

### **Owner-managers**

It is significant that this study's findings denote very clearly that the attitudes of owner-managers as stakeholders of predominant importance (Freeman, 1984) in family advertising agencies in Cyprus and their behavioural intention (Ajzen, 1991) towards the family firm as business entity as well as towards succession issues are influenced by the effects of the recent economic downturn, although established perceptions deeply rooted in the Cypriot culture seem to resist to radical changes.

According to the study's findings, family firms – apart from their emotional value as personal creation of the founding owners – constitute, consistent with Chrisman, Chua & Litz (2003), a sort of lifestyle firm, namely a source of comfortable and considerable income for the owner-manager and his/her dependents. However, as a result of the financial crisis and the subsequent cuts in advertising budgets, it is extremely difficult for family advertising agencies to serve their purpose as 'lifestyle businesses'. This study's findings reveal that owner-managers urgently need options and solutions to secure their firms financially, despite the fact that they view the family business as an extension of themselves and as such, in agreement with Handler & Kram (1988) and Miller, Steier & Le Breton-Miller (2003), they feel committed to their business.

Indeed, this study's findings show that the financial crisis has created such circumstances that a somber mood prevails among advertising agencies' owner-managers and makes them feel

pessimistic about the present and future – as evidence in their expressive language, e.g. ‘making it through the crisis’ or ‘trying to keep our heads above water’. Under these conditions, the concept of familiness as an expression of problem-solving and managing crises (Frank, Lueger, Nosé & Suchy, 2010) seems too weak, as this study affirms, to sustain the current financial attack. In contradiction with Arregle, Hitt, Sirmon & Very (2007), family advertising agencies are not characterised by long-term orientation or any desire to keep the family business across generations at any cost. On the contrary, owner-managers present themselves as ready to discuss any profitable business proposal. Moreover, although this study’s findings support that owner-managers would prefer to keep the family firm’s independence, in their effort to, consistent with Abdallatif, Amman & Jaussaud (2010), maintain ownership and control over the business, they appear determined to do whatever is best for the firm’s survival, including paving the way for new partnerships. Here findings contradict Wright & Kellerman’s (2011) argument that family intergenerational ambitions affect the goals of family firms in financial terms, since this study shows that according to owner-managers’ perceptions, the owning family would agree to sell out the business or proceed with a merger, if and when it is no longer profitable.

Findings suggest that regardless of the emotional attachment to the family firm, the burden of the current financial difficulties has prompted owner-managers to reconsider established personal and family values and perceptions regarding the status of the family business. Consequently, pragmatism outbalances sentimentalism, and an outward turning is noted in owner-managers’ behavioural intention towards merging or selling out the business. Such behavioural change is in contradiction to the argument of Salvato, Chirico & Sharma (2005) that psychological factors like emotional attachment to the business affect family members to persist even when the business is not profitable anymore. In fact, being major stakeholders in the family firm, this study’s findings claim that owner-managers would not overrule such arrangement, meaning decide to merge or sell, if they judge it necessary, despite the fact that

they have devoted a great deal of time and resources to developing a business that represents in agreement with Kefalas (2008), a major source of self-esteem and personal worth.

With regard to succession, despite the fact that succession planning is the most important ingredient for a successful family business (Chua , Chrisman & Sharma, 2003), findings reveal that owner-managers are too caught up in the day-to-day problems and activities of running the business to plan for the future. Moreover, according to this research's findings, many of them seem to be reluctant to cede control as, consistent with Gagné, Wrosch & Brun de Ponte (2011) they don't trust anybody else to take over the business. Therefore, owner-managers are in contradiction to themselves, having said that they are ready to consider new directions regarding the management of their firm. Nevertheless, this study supports that if they have to choose a successor, their behavioural intention would be to give priority to offspring as, in agreement with Ayers (1990), this is how owner-managers perceive succession should be: a legacy for family members. As such, they look forward to their offspring joining the firm, assuming that they share their parents' dream of joining the family business.

At the same time, findings show that owner-managers of advertising agencies recognise that managerial competence is more important than family ties when it comes to succession. Owner-managers seem determined, consistent with Kefalas (2008), to consider carefully whether their children are capable of running the family firm. It is also evident from the study, that in cases where the offspring are not the best candidates to lead the family business, the owner-manager's behavioural intention, which may still differ from actual behaviour, would lean towards a non-family member, namely a skilled professional manager, taking the company forward. In fact, as Stavrou (2003) points out, not having an extraverted attitude to dominate the succession process, the family firm may have better survival prospects since decisions will be taken based on the firm's real needs and not under the influence of subjective norms.

In addition to the above, this study's findings support that owner-managers accept that their children may not share their interest in the business and show respect towards offspring's choice to embark on alternative careers. Such an offspring decision would constitute a reason for owner-managers, as both Dyer (1989) and Stewart & Hitt (2011) support, to proceed to professionalisation of their family firm's management as non-family firms do. In connection with this argument, findings show that owner-managers would not reject a non-family manager who is able to regenerate the firm by bringing in new ideas to secure the family firm's continuity. With regard to successor's attributes, findings support, in agreement with Chrisman & Sharma (1998), that integrity and commitment to the business are considered to be the most important personal qualities of a successor.

Furthermore, consistent with Rue & Ibrahim (1996), this study supports that owner-managers consider succession as an event rather than a process. Specifically, succession is viewed as a single act or decision made when the owner-manager is ready to let go of control, rather than a process of creating and implementing a strategic plan for the business, namely a means by which family firms adapt to changing contexts. This study reveals that while advertising agencies' owner-managers may give thought to a succession plan, they put off the process of planning, despite the fact that if left unplanned, succession may be forced by a crisis, e.g. in case owner-managers are obliged to leave the business earlier than planned due to unexpected circumstances.

In agreement with Feltham, Feltham & Barnett (2005), findings confirm the reliance of family advertising agencies upon a single family member – the owner-manager – who has authority over decision-making, responsibility to get the business up and running, and an unwillingness to give up control. Thus, even though owner-managers are aware, consistent with De Massis, Chua & Chrisman (2010), of the importance of succession planning for the continuity and prosperity of a firm, little attention is paid to succession, even if owner-managers are too old to continue running the business they have built.

With regard to owner-managers' behavioural attitudes towards non-family employees, findings contradict Chua, Chrisman & Sharma's (2001) argument that developing and maintaining the commitment and loyalty of non-family employees is one of the highest priority concerns of owner-managers. Having said that, this study's findings suggest that owner-managers recognise the value of good employees and believe, in agreement with Pricewaterhouse Coopers (2011) that the best way of retaining them is to pay them well. Furthermore, this study supports that owner-managers share the perceptions of significant others, such as media executives and clients, regarding the importance of the employee dimension and specifically the value of talent and employee expertise as an integral part of the advertising agency's upgraded image, as well as being a prerequisite for the successful accomplishment of advertising activities.

Nevertheless, according to this research's results, owner-managers put almost zero emphasis on new challenges and career progression in terms of leadership succession as far as non-family employees are concerned. Indeed, regardless of the non-family employee contribution to the development of the family business, this study reveals that owner-managers remain indifferent to the perceptions of non-family employees regarding the advertising agency's succession. In agreement with Konis (2008), they consider family business succession to be a family issue. However, such a stance is not in the best interest of the firm, since succession selection should focus on criteria that have functional value for the firm. As Seymour (2008) notes, among existing non-family employees, owner-managers could identify and develop the appropriate leadership talent with in-depth knowledge of the subject of work that can prove hugely beneficial for the family firm.

In addition to the above, by adopting as Barnett & Davis (2008) suggest, a long-term perspective for developing and managing talent, advertising agencies' owner-managers could retain such employees who, in their opinion, as this study's findings support, have an individualistic and opportunistic approach to employment. Specifically, owner-managers consider that such employees always tend to look out for new opportunities and are guided by



profit-maximising self-interested motives. Thus, as Athey (2004) supports, the traditional linear process of talent development, the effort to identify and control talent instead of focusing on creating conditions where talent can emerge of its own volition, is insufficient to retain the talent needed. In view of the above, developing a business succession plan that can balance the emotional and financial needs of the owner-manager and the key employees with the business's needs as an ongoing entity could be the key to employee and talent retention.

As far as the family factor is concerned, this research's findings support Padgett & Morris (2005) assumption that founder-centric and paternalistic authority patterns are predominant in family firms. Indeed, this study affirms, consistent with Pieper & Klein, (2007), that although the family represents a significant dimension of the business's context, owner-managers remain the sole decision-makers and perceive that the family has no active influence on the family firm's decision-making process. Moreover, according to this study's findings, the family and the owner-manager share the same views regarding the firm's succession. Specifically, the owning family as well as the owner-manager focus on keeping the business in family for the generation to come and agree on issues related to the business entity's status of existence.

### **Clients and Media**

Although the role of clients as stakeholders in advertising agencies differs from the role of media since clients are rendered services while media render services to advertising agencies, this study's findings show that they share the same attitudes and perceptions as far as non-family employees and owner-managers are concerned in connection to succession issues. As literature is scarce, the extrapolation of such attitudes and perceptions based on generic literature will enable the discussion of this study's relevant findings.

According to this study's findings, clients and media as stakeholders in advertising agencies define very distinct roles and competences for owner-managers and non-family employees. Indeed, advertising as a service industry involves the personal interaction of clients and media

with the advertising agency's team on a regular basis. Therefore, functions performed in the process of service delivery can be easily illustrated and assessed by both clients and media.

Specifically, this study's research results show that owner-managers, due to their ownership-based status, have the ultimate responsibility for building and maintaining a corporate image that corresponds to the agency's vision and culture. Moreover, in agreement with Block, Jaskiewicz & Miller (2011), clients and media argue that the advertising agencies' founder-owners as well as the family ownership contribute to the firm's performance by adopting a managerial strategy to ensure the effective delivery of the agency's work product. According to clients and media people, owner-managers are responsible for identifying and directing talent within the firm, as well as to monitoring and controlling any project development procedures in order to secure high standard quality of work.

Furthermore, clients and media view strategic decision-making, problem-solving and the handling of financial issues as owner-manager's duties. Indeed, in Cypriot advertising agencies, as in almost all small and medium-size family businesses in Cyprus, such important functions are concentrated in the hands of owner-managers as an expression of their founder-centric style of management. Therefore, when it comes to issues like negotiation of cost of activities assigned to the advertising agency, advertising budget allocation to the media, or conflict resolution, clients and media confirm that they address owner-managers. In addition to the above, this study suggests that the nature of the relationship that clients and media maintain with advertising agencies' owner-managers corresponds to the degree of their responsiveness and the quality of interpersonal communication they maintain.

As far as clients and media attitudes are concerned regarding the role and functions of non-family employees' in advertising agency, both clients and media claim that such non-family employees are responsible to ensure consistent high quality service delivery in the context of account handling and media planning and buying, as well as original creative work, i.e. copywriting and artwork. In fact, as Neubaum, Dibrell & Craig (2012) argue, it is through

employees that the demands and needs of the firm's stakeholders are usually met. By effectively responding to the needs of clients and other stakeholders, firms can achieve market success (Cabrera-Suárez, Déniz-Déniz, Martin-Santana, 2011). Since, according to clients and media, non-family employees constitute an integral part of advertising agencies' success, it could be assumed that non-family employees are an inseparable element of such agencies' succession planning.

Indeed, because of the complex nature of advertising agencies, which requires qualified and experienced people in specialised positions, employees can build on their talent and expertise and succeed in upgrading their role at work in relations to all firm stakeholders. Nevertheless, clients and media support that being part of the family firm's succession should not be considered as an option for non-family employees, despite their skills, personality and competences. This perception among clients and media obviously emanates from a) the prevailing Cypriot cultural norms regarding family business succession, based on the principle that the business belongs to the family and stays in the family; and b) the existence of a family ownership regime in advertising agencies, which implies the practice of nepotism, namely favoritism towards family members. Consequently, this study's findings reveal that in the perception of clients and media, and in agreement with Stavrou (2003), non-family employees with managerial talents have limited opportunities to assume important roles – such as leadership and managerial roles – in the family firm.

Finally, this study's findings support that the role of non-family employees in the advertising agency's succession is not a top priority interest for clients and media as stakeholders in advertising agencies. All that matters in their business relations with non-family employees is their ability to get the best service to help them achieve their business goals. Indeed, as De Jong & Den Hartog (2007) claim, employees who are allowed to have external contacts with clients seem to generate new ideas more easily. Media and clients' belief that non-family employees are a priori excluded from the advertising agency's succession planning leads to the assumption that clients and media as subjective norms (Ajzen 1991) for non-family

employees in advertising agencies may have a negative influence on non-family employees' existing perception of belonging to a sub-group in the family firm or, as defined by Carmon, Miller, Raile & Roers (2010), being an out-group with no equal rights and opportunities with family members.

## **CHAPTER 7**

### **PROJECT'S OUTCOME**

Given the results of the present study, a roadmap was developed, offering a pragmatic model of leadership succession that is meant to align talent management with the vision of the company, taking into consideration the views, positions and expectations of owner-managers, non-family employees, clients and media-defined as major stakeholders in Advertising Agencies. At the same time, the model is designed to balance the emotional and financial needs of the owner-manager and the key non-family employees, as well as the business demands of media and clients, with the business's needs as an ongoing entity.

Specifically, this study's findings as discussed below with Hofstede's Cultural Dimensions support that based on the organisational culture in Cyprus, a strategic design of a long-term and formal succession planning strategy may constitute the key to advertising agencies' continuity in terms of prosperity and future development.

#### **The Cypriot organisations' cultural context**

As most managerial practices are influenced by cultural forces that penetrate all aspects of socio-economic life, this study's findings on the attitudes, perceptions and behavioural intentions of non-family employees and owner-managers of Cypriot advertising agencies regarding succession issues will be discussed in relation to Hofstede's Cultural Dimensions approach (2001), in order to examine to what extent they are affected by traditional norms and cultural particularities of the Cypriot society.

Hofstede conducted research covering over 100,000 employees in 53 countries and identified five dimensions that distinguish countries from each other and group them

statistically. Hofstede scored each country using a scale of roughly 0 to 100 for each dimension. The higher the score, the more that dimension is exhibited in society.

The first dimension, the Power Distance Index (PDI) relates to the degree of centralisation of authority and to the degree of autocratic leadership.

A high PDI score indicates that society accepts an unequal distribution of power, and that people understand “their place” in the system. Low PDI score means that power is shared and well dispersed. It also means that society members view themselves as equals. In accordance with Hofstede’s results, PDI scores are high for Latin, Asian and African countries and lower for Anglo and Germanic countries. Among the 53 countries investigated, Malaysia has the highest PDI score (104) and Austria the lowest (11). According to Stavrou & Eisenberg’s (2006) measurement of the culture of Cyprus’s organisations, Cyprus has a score of 75.

According to this study’s findings, management in advertising agencies in Cyprus ranks in the high PDI category as the degree of centralised power and autocratic leadership is high in family owned and managed advertising agencies. Though the participation of non-family employees in decision-making is limited to issues concerning their job description, this study’s findings support that non-family employees see decision-making as being within the competencies of the owning family because such practice is consistent with national culture. They therefore do not seem negatively influenced by the fact they are not included in decision-making procedures. Thus, Stavrou and Eisenberg (2006) suggest that extensive management development training for non-family employees should precede participative management practices in Cyprus’s firms. Otherwise, such practices may prove to be less effective than expected, due to the fact that participation is not consistent with Cypriot culture, and employees tend to view it with fear and distrust. Therefore, any succession planning model for Cypriot advertising agencies should include a non-family employee management participation training stage to get them accustomed to new ways of thinking and acting.

The second dimension, Uncertainty Avoidance Index (UAI), is defined as the extent to which the members of a culture feel threatened by uncertain or unknown situations (Hofstede, 1997). It also indicates the extent to which a society minimises the impact of such situations by taking measures such as establishing more formal rules in organisational operations and ensuring greater career stability. Moreover, high UAI nations are statistically associated with more expressive people. According to Hofstede, UAI scores are higher in Latin countries (those speaking today a Romance language like France, Spain, and Italy), in Japan, and in German speaking countries, lower in Anglo, Nordic, and Chinese culture countries. Greece scored 112 on the UAI scale and Singapore 8, while Cyprus, further to the measurement of Stavrou & Eisenberg, holds the first position on the Uncertainty Avoidance Index with a score of 115.

As this study supports, non-family employees of advertising agencies openly express their feelings and thoughts in relation to their employee status and succession issues, as well as in relation to their working conditions and their relationships with other stakeholders at workplace. In addition, non-family employees appear to prefer structured roles and working procedures, and therefore they set boundaries to the sphere of their activities and competencies even by themselves, in order to perform within the limits of set roles and conform to the needs and requirements of such roles accordingly. Moreover, this study's findings show that non-family employees seek stability and hesitate to move on, even in search of better career prospects. Therefore, as per Hofstede (2001), problems arising from uncertainty avoidance should be confronted with well-known procedures, clear procedures and rules. In addition to the above and regarding succession, the high score of Cyprus on the UAI index calls for the implementation of formal succession planning in family advertising agencies from an early stage. This would allow non-family employees to be well aware of the spectrum of rules and procedures that accompany their future business prospects and career path, as well as being offered the choice to act according their professional skills and ambitions. Indeed, in case formal succession rules leave space for talented non-family

employees to rise in leadership position, it will consequently generate performance motivation and stability resulting in greater growth prospects for the firm.

The third dimension, Individualism (IDV), is defined as the extent to which people in a country prefer to act as individuals as opposed to members of groups. Hofstede's analysis suggests that individualism prevails in developed and Western countries, while collectivism prevails in less developed and Eastern countries; Japan takes a middle position on this dimension. Specifically, the USA appears to have the highest IDV score (91), and Guatemala the lowest (6), whereas Cyprus, as per Stavrou & Eisenberg, holds the 24th position with a score of 42.

In highly individualistic countries, greater employment mobility exists, since individuals are expected to look after their own interests, while in collectivist cultures, the focus is on group membership (Stavrou & Eisenberg, 2006). In line with this assumption, Cyprus is still a collective country, since this study supports that a) non-family employees perceive belonging to a particular workplace-community as highly valued, which constitutes one of the factors why they avoid mobility, and b) owner-managers prefer working with family members as an extension of the family collective spirit and culture. Therefore, under these circumstances, the adoption of written succession schemes in advertising agencies with the inclusion of non-family employees would drive benefits for such family firms for two reasons: Firstly, such succession scheme may have a fundamental impact on non-family employees' collectivist culture resulting in work motivation and greater productivity and performance outcomes. Secondly, a leadership succession that takes into consideration existing staff talent may result in retaining talented personnel and develop the right people for leadership positions, instead of appointing family members who may not have the knowledge and the competencies to lead an advertising agency.

Masculinity, the fourth dimension, stands, according to Hofstede, for a society in which social gender roles are clearly distinct, whereas femininity stands for a society in which social



gender roles overlap. Masculinity is high in Japan, in some European countries like Germany, Austria and Switzerland, and moderately high in Anglo countries; it is low in Nordic countries and in the Netherlands and moderately low in some Latin (those speaking today a Romance language) and Asian countries like France, Spain and Thailand. Japan is highly masculine with a score of 95, whereas Sweden has the lowest measured value (5). Cyprus with a score of 58 (Stavrou & Eisenberg, 2006) shares the 17/18 position with New Zealand. In organisations with masculine cultures, status, performance and business achievements are attributes of success. Stavrou & Eisenberg (2006) support that Hofstede proved that the best way to motivate employees in such cultures is with performance-based rewards and merit pay.

Indeed, findings of this study claim the masculine personality of Cyprus as they provide evidence of a) the owner-manager status implying success and power for all stakeholders involved in advertising agencies, such as clients, media and non-family employees, and b) the non-family employees' fulfillment and personal and professional satisfaction when their work contribution is recognised and appreciated by the owner-manager. Moreover, merit pay is considered by non-family employees as a business benefit of significant importance and as an appraisal of their personal performance. Therefore in relation to the above, different forms of merit schemes should be included in leadership succession strategies in order to secure employee engagement and successful implementation of action plans.

The fifth dimension of Hofstede is that of long-term orientation (LTO), which stands for virtues such as patience, perseverance and respect for the elders related to future rewards vs. short-term orientation. According to Hofstede's analysis, people in the United States and United Kingdom have low LTO scores. More specifically, LTO scores are highest in East Asia, moderate in Eastern and Western Europe, and low in the Anglo world, the Muslim world, Latin America and Africa. Indulgence scores are highest in Latin America, parts of Africa, the Anglo world and Nordic Europe; restraint is mostly found in East Asia, Eastern

Europe and the Muslim world. Cyprus scored a 59 on the LTO index (Stavrou & Eisenberg, 2006).

According to this study's findings, Cyprus is rather a long-term culture since both owner-managers and non-family employees appear to confront current financial difficulties surrounding the business environment with patience. They also appear decisive and perseverant in overcoming the flow of events that result in stressful situations such as the uncertain employment future. Moreover non-family employees as well as offspring that took over the family business recently show respect towards the founding owner and his behavioural practices. Nevertheless, the absence of formal reward schemes and long-term employment provisions in family advertising agencies in Cyprus indicates the owner-managers' short-term view of business planning and their stance on non-family employees and on succession planning. In addition to the above, such management behaviour implies that there is room for constructive work towards a shift in current managerial practices and the adoption of a more holistic approach to succession planning.

In addition to the above, the proposed model also takes into account the departmental structure of advertising agencies and the need, as the research's findings suggest, for talent and expertise in leading roles in key departments.

### **Advertising Agencies' organisational structure**

Specifically, as Advertising Agencies in Cyprus offer integrated communication services, they have a suitable organisational structure to keep functioning properly, smoothly and efficiently. Apart from senior management, the main functional departments of an advertising agency are:

a) Account Planning: This department combines research with strategic thinking. Account planners research the needs and preferences of the target market for a product or service, then use their findings to develop an advertising strategy and

prepare a brief for the creative team that will work on an advertising campaign. The success of an advertising agency depends greatly on the success of the client's ad campaign, so standing out from the competition starts with solid research;

b) Account Services: The account-client service department comprises account executives, account managers and account directors who are responsible for dealing with clients and coordinating the work of the agency's creative and media teams.

c) Media: The media department is responsible for planning where and when advertisements will appear, and buying space or time in newspapers, magazines, radio, television, digital media and outdoor media, such as poster sites. Selecting and using the best media possible to communicate the advertising message to the consumers is a very important function as the wrong choice will result in the failure of a product;

d) Creative Services: The creative services team consists of copywriters, art directors and designers who work together to develop concepts and designs for advertising material. The copy and the design of advertisements are crucial as advertising will be a failure if they do not appeal to consumers. Moreover, as this study supports, original creative work has a tremendous impact on the agency's reputation and image;

e) Accounting and Finance: The main duty of the accounting and finance department of advertising agencies is to look after its financial and accounting matters;

f) Public Relations and Promotions: The public relations team's duty is to come up with original concepts and execute public relations campaigns that include product event launching, in-store promotions, media relations and crisis management;

g) Digital Department: Because of the rapid expansion of digital communication, advertising agencies were forced to expand into new technologies in order to remain competitive.

The above breakdown of advertising agencies' typical departmental structure illustrates that a professional advertising agency cannot exist without both talent and expertise for each specialised department. It is up to owner-managers to ensure that their family firms have the talent in place to fill the leadership pipeline for all key positions – not only that of the Managing Director – as well as ongoing evolution and continuity of leadership.

### **Proposed Model of leadership succession for advertising agencies in Cyprus**

Having taken all the above into account, the proposed model of leadership succession, as presented in figure 3, consists of the following elements that are designed to ensure the smooth implementation of a strategic plan in Cypriot family advertising agencies:

#### *1. Alignment of competencies with business strategy*

Owner-managers of advertising agencies need firstly to define their organisation's business strategy and the organisational competencies or competitive advantages needed to deliver it according to customers and stakeholders. By doing so, it can be assessed how the business should be aligned with those organisational competencies, and what the workforce should be capable of doing, given tomorrow's challenges and direction. Owner-managers need to assess the competencies of the existing workforce based on the organisation's long-term business strategy in order to ensure that the ideal workforce is in place to meet their needs.

#### *2. Talent incubator programme*

Since work performance in advertising is linked to talent as well as professional expertise that is much appreciated not only by owner-managers but also by clients and media as stakeholders in advertising agencies, the key aim of the talent incubator programme is to nurture young talent and offer business development support to

young practitioners through seminars and classes with a duration of about three months, designed to foster professional development. At this stage, participants in this programme should sign a binding agreement of remaining with their employing advertising agency for at least five years after the completion of the programme.

### *3. Identifying individual development needs*

Successful employee development depends upon conversations held in an atmosphere of trust and collaboration. It is essential to listen to employees' individual goals and desires and make sure they know what is expected of them and how they can grow within the advertising agency. Thus, high-potential employees will have the chance to strengthen their skills in leadership, strategic management and team development through participation in various educational experiences (training classes, workshops, conferences and forums), as well as conducting meetings with clients and media, and preparing and making presentations. This approach engenders loyalty and commitment and breeds a culture of success at all levels.

### *4. Talent identification programme extending to all departments of the agency*

As the organisational structure of advertising agencies consists of departments of almost equal importance for the successful operation and delivery of results, the identification of talent across all levels in the agencies is a strategic focus based on clear needs about where they want to be in the future. Indeed, succession is not associated only with the Managing Director's position, but also identifies and prepares leadership at all levels of the advertising agency. This will ensure that, regardless of staff turnover, experienced and trained personnel will be ready to step into departmental leadership positions.

### *5. Long-term strategic plan*

Working within the strategic framework for the advertising agencies' future needs and goals, owner-managers together with senior management can identify the positions necessary for growth and the best candidates to fill those roles.

#### *6. Transition period planning*

The leadership transition is a critical moment in a company's history. A smooth transition is essential to maintain the confidence of all stakeholders in advertising agencies (employees, clients and media) and provide the new leader with a solid platform from which to move the company forward. Thus, the leadership transfer should be accomplished through a planned and gradual shift so that the transitioning owner-manager introduces the successor and encourages him/her to build relationships with clients and media, as well as with other employees.

#### *7. Reward schemes to retain employees with the right skills*

Hiring employees is just a start to creating a strong workforce. Incentives are critical to motivate and retain those employees who are essential to the advertising agencies' success and therefore, owner-managers need to recognise who these vital contributors are and make sure they know that they are valued by providing them with financial incentives that, as this study shows, are of very high importance for non-family employees. A group of incentive programmes should include team-based bonus schemes for each department of the advertising agency related to the company's overall success and performance-related individual bonus schemes to stimulate individual effort.

#### *8. Employee share purchase scheme*

An employee share purchase scheme should be a way of motivating non-family employees who are candidates for leadership positions in advertising agencies, as they align employees' financial interests and need for security with owner-managers' interests to keep ownership, while ensuring that their family firm performs well even when they withdraw from the firm's leadership. Such share purchase programmes offer eligible employees the chance to purchase

company shares at a discounted price, through payroll deductions or through a loan from their employer.

**Figure 3 Model of Leadership Succession Plan for Advertising Agencies**

<b>Alignment of competencies with business strategy:</b> > concentrate on the key skills, abilities, knowledge and personal characteristics needed to successfully lead the business and take it forward.
<b>Talent incubator:</b> > provide formal professional development opportunities > formal mentoring > access to leadership development seminars.
<b>Identification of individual development needs:</b> > listen to employees' goals and desires > individuals make training choices.
<b>Talent identification programme extending to all departments of advertising agencies:</b> > identifying talent at all levels.
<b>Long-term strategic plan:</b> > strategic plan determines which positions will be in the succession plan > have written purpose statement and measurable goals.
<b>Transition period planning:</b> > determine the most effective work flow during a leadership transition > introduce successor to clients and media and take advantage of the transition period to create a bonding environment.
<b>Incentive schemes to retain and motivate skilled employees:</b> > combination of team-based bonus schemes for departments and individual bonus schemes. Existing staff may be tempted to leave the agency if their reward system is not a motivating tool.
<b>Employee share purchase schemes:</b> > non-family candidates for leadership positions will have the opportunity to buy company shares.

The proposed model of leadership succession for all family advertising agencies in Cyprus as illustrated in figure 3 identifies the key issues that need to be considered in the planning of leadership succession. Its feasibility was tested at Contact Advertising, the researcher's workplace, since this study constitutes a work-based project.

## **Report of testing the proposed leadership succession model at Contact Advertising**

In order to examine whether the proposed model of leadership succession is workable, a group discussion was held at Contact Advertising, designed to gather feedback from the owner-manager and the key non-family employees regarding the proposed leadership succession model. As both the owner-manager and key non-family employees are the major stakeholders in the agency's succession planning, it was important that each be brought into the process.

### *Participant Demographics*

Seven among the fourteen members of Contact's team took part in the focus group: The owner-manager and the heads of the agency's departments, namely four women and two men, non-family employees aged 33 to 55 who have been working in the advertising business for a period between 8 and 30 years.

### *Positive Features of the leadership succession model*

Overall, all participants appeared to welcome the proposed leadership succession model as well grounded on feasible procedures and features that satisfy the personal and professional needs and requirements of non-family employees as well as those of the owner-manager.

‘Indeed, it is a workable leadership succession plan and consists of all the necessary components that can keep both interested parties satisfied.’

The one overwhelmingly positive attribute mentioned by participants is the combination of team and individual incentive schemes.

‘The provision of individual as well as team incentives is very useful, because it covers the most self-confident and adventurous non-family employees as well as those who contribute to their department's success.’



Furthermore, participants in the discussion group consider that a signed agreement between participants in the incubator programme and the company will ensure training expenses redemption effect on the company's capital in a five-year period of expertise services.

‘A signed agreement with binding terms is absolutely necessary to retain trained employees for at least five years, and it is beneficial for both parties.’

#### *Negative Features of the leadership succession model*

As the ‘employee share purchase scheme’ was not included at the time of the model's presentation, both the owner-manager and non-family employees strongly object to the absence of such clause. They believe that an employee stock option programme will generate feelings of security and belonging, which in turn ensure the successful involvement of all parties interested in the agency's leadership succession.

‘Something is missing. I believe that only a stock option plan could engage non-family professionals in the agency's continuity.’

‘What's the security clause for us? How can one make sure that our future is ensured by this succession plan without owning company shares?’

Moreover, although the owner-manager likes the ‘incubator programme’, his only reservation is that the operational cost of the incubator programme may be prohibitive for the agency under the current economic conditions.

‘It is innovative and I am sure it will help us to provide our first-entry employees with the necessary professional education. But I don't think we can afford it, at least not now.’

### *Recommended Changes*

It is clear from the responses and discussions that a share purchase scheme is a prerequisite for a successful and trustworthy leadership succession plan, which is why it was added to the proposed model. Indeed, a share purchase scheme will fully engage employee-candidates for leadership positions in the business, as it will align their interests with those of shareholders to enhance the growth of the company. In addition, holding shares in the advertising agency will be a source of security and satisfaction, as well as a great incentive for non-family employees to work even harder since their feeling of belonging to the company will be stimulated. Research has shown that succession planning linked to sharing schemes enabled family firms to embark on strategic business development while keeping talented top management satisfied (Konis, 2008).

Moreover, the incubator programme could be developed in cooperation with other advertising agencies in the form of a startup centre for young professionals entering the advertising field. The operational cost could be divided among advertising agencies that are members of the Cyprus Advertising Agencies Association.

Upon completion of this study, the leadership succession model will be presented to the Board of Cypriot Advertising Agencies and offered as a toolkit for consideration for each member's succession process.

## **CHAPTER 8**

### **CONCLUSION, IMPLICATIONS, LIMITATIONS AND SUGGESTIONS**

Today's business world is evolving faster than ever before and has become more interdependent and interconnected due to three key drivers of change in the business environment: the convergence of globalised commerce, the widely available information and the rapid technological progress (Bagley, 2013). In such a rapidly changing business environment, the modern marketplace has become highly competitive and businesses are forced to adapt, to become more receptive and efficient (Hayes, 2010).

In Cyprus, the unstable and ever changing nature of the business world as it emerged following the major financial crisis in March 2013 with the collapse of the banks and the subsequent bailout has made things even worse. Innovation and entrepreneurship are crucial factors to maintain competitiveness, while efficient and competitive organisational behaviour and functioning are a necessity. Under such business conditions, and as this study reveals, Cypriot family owned and run small and medium-size advertising agencies struggle to survive. In order to stay on top of things, they have to recognise their past management and process shortcomings, and adopt strategies to keep up with changing conditions. Therefore, having the right knowledge, skills and competencies is a must.

At the same time, as this study shows, traditional values regarding the essence of family businesses as well as family value-based management practices lose importance, while business succession definitely appears not to be a top priority issue.

Nevertheless, as advertising agencies in Cyprus are trying to achieve more with less, move faster while at the same time improving quality and customer service, the retention of specialised talent is a driving factor for success. Therefore, owner-managers of family

advertising agencies need to inspire their employees in relation to the future of their company and engage skilled and talented managerial non-family personnel in a leadership development process and succession planning systems, in order to enable their firms to stay competitive and with no management disruption at the leadership transition stage. To that end, a robust training and development programme that ensures the continuity of a family firm is a must.

Indeed, as Conger & Fulmer (2003) support, many highly successful firms need leadership development and succession planning processes for optimal identification, development, and placement of leadership talent. Therefore, a requisite succession plan can help the business retain knowledge and grow next generation of leaders. Moreover, as Lansberg (1988) states, succession planning, or rather the lack of it, is the single most important reason why many first-generation family businesses do not survive. It is for this reason that Weber (1946) was probably the first to suggest that the founders of family business need to prepare a successor who can develop administrative structures, systems and processes to ensure the sustainability of the organisation.

Finally, this study's results are important to the field of family owned and managed advertising agencies in Cyprus, as it provides information on the perceptions and attitudes of the four major stakeholders in advertising agencies regarding succession issues as well as corporate culture and behaviour. Such information can significantly support the development of a leadership succession model, the adoption of which may help advertising agencies respond to today's competitive demands while boosting operational efficiency.

## Implications for Stakeholders

### *Non-family employees*

One of the objectives of the proposed leadership succession model is to reduce uncertainty among non-family employees by defining structured succession planning procedures including clear terms and conditions. As Hofstede (2001) supports, and based on the uncertainty avoidance dimension, organisations with high uncertainty culture such as Cypriot ones, can avoid problems arising from high uncertainty avoidance by firmly establishing clear procedures and well-defined rules that will reduce uncertainty and help employees cope with unknown situations. Indeed, as non-family employees participating in this research state, owner-managers '*...do not clarify what the company's plans are*'. Statements like '*... I feel much more efficient as I only execute instructions*', illustrate the need for clear plans and rules.

Specifically, the proposed leadership succession model indicates leadership succession structures and provisions outlining the circumstances under which talented non-family employees could be identified and trained to undertake critical roles within the advertising agencies. Owning families need to offer non-family employees clear employee benefits as well as an obligations package linked to training and development opportunities, so that both parties have a thorough understanding of the rules governing promotion to higher levels.

Moreover, as this study's findings support, non-family employees feel they are a part of the family business when '*... the owner appreciates and cares and considers the employee part of the family*'. Thus, by optimising the contribution of non-family employees, employees' perceptions of their career evolution prospects change and they will be prepared to make a deeper commitment to a firm that invests in them and their route to achieving a candidacy in the company's leadership succession plan. Since, according to non-family employees, '*at the end of the day, what matters is money*', individual and team reward schemes, which the proposed leadership succession model provides, will enhance long-term employee

engagement in the firm. Finally, non-family employees' first emotional reaction to their future inclusion in the family firm's succession – *'I will have to work exhaustively to prove myself without owning anything'* – is pre-empted by the succession model's proposal for the implementation of share purchase schemes. In addition to being extremely rewarding, such a scheme will make non-family employees feel not only psychological satisfaction but that they are deeply rooted in the family firm and empowered to lead it to success.

### ***Owner-managers***

In accordance with Block, Jaskiewicz & Miller (2011), this study's findings suggest that founding owners can pass on firm ownership to their families but should consider being succeeded in leadership by a professional manager: *'I will employ a non-family manager to ensure my company's future and prosperity'* and *'I would appoint a non-family manager to run the company while I would remain owner and major shareholder, ensuring a considerable revenue'*. Therefore, the proposed leadership succession model is designed to maintain family business ownership continuity, while continuity of leadership as a key strength in businesses is ensured through non-family management. In this way, the needs of owner-managers, i.e. continuity of the family firm and business ownership in terms of asset ownership and majority shareholder rights for the family, are respected and satisfied.

On another level, existing personnel may have undiscovered capabilities and talents, and these attributes may have not surfaced in their existing roles (Seymour, 2008). Consequently, getting the most out of advertising agencies' talent pool by investing in existing employees who have the skills, the background and the experience to fulfill key roles, and knowing who could be an asset to the firm and who is likely to be leading the company in the longer term can prove hugely beneficial to family advertising agencies. Indeed, the evolving skill requirements for talented leaders in the future have direct implications on employee development, as the right employee training, development and education, at the right time, provides significant payoffs for owner-managers in terms of increased productivity,

knowledge, loyalty, and contribution and guarantees, which all constitute a return on the advertising agency's investment.

Moreover, this study's findings show that owner-managers of advertising agencies have a feeling of mistrust towards non-family employees. This is reflected in the way owner-managers express their perceptions on non-family employees i.e. *'you cannot count on your employees... you run everything yourself because they cannot be trusted. They will either leave to start their own business because they believe in easy wealth, or they will do jobs behind your back'*. Thus, by incorporating training and professional development, as the proposed model of leadership succession suggests, which may lead to employee loyalty and work to their highest level of potential, owner-managers will have the opportunity to overcome feelings of mistrust towards any non-family employee successor.

In addition, as according to Hall & Nordqvist (2008) employees in managerial positions have more positive attitudes to their work and greater work involvement than people in lower levels, which in turn leads to better understanding of the family firms' culture, motivating non-family employees by structuring managerial position prospects, as this project's leadership succession model proposes, may develop the new generation of leaders built on employee empowerment and engagement based on trust and communication.

### ***Clients and Media***

The advertising industry is essentially a people business, meaning that it requires a substantial level of collaboration from agency and clients-media parties to make it effective and sustainable. The relationship between advertising agencies and their clients and media partners is one of the most complex in the business, especially nowadays where decreased patience, loyalty and understanding is a common phenomenon. However, since successful business relationships are based on trust, confidence, understanding and open communication,

the proposed model of leadership succession takes into consideration this study's findings regarding clients' and media partners' thoughts and beliefs towards smooth relationships with key people in advertising agencies, so that balance in the advertising agency's established relationships with clients and media is maintained through the leadership transition period. For example, clients participating in this research require that *'The advertising manager should be experienced in management and handling human relations, efficient in problem-solving and reliable in meeting deadlines'*. According to media people, *'It depends on the non-family manager's personality and his/her skills as a manager whether we will welcome her/him or not in case of management transfer'*. Thus, during the transition period mentioned in the proposed leadership succession model, clients and media will be formally informed by the owner-manager of the new management arrangement and they will have the opportunity to meet the new manager so that they can be assured that their requirements regarding managerial qualities have been considered. As a result, trust and confidence of clients and media as important stakeholders in advertising agencies will be safeguarded and smooth continuity of business activities will be ensured after the management transfer.



## **Limitations and Suggestions**

The project contains a number of limitations and suggestions for future research to enrich it.

These include:

First, the project was designed to examine succession-related issues in small and medium-size advertising agencies in Cyprus and propose a leadership succession model for such agencies.

In this respect, a study could be designed to cover SMEs in general, namely covering small and medium-size firms in various sectors, to explore the importance, nature and extent of succession planning as well as the perceptions of defined stakeholders at the workplace regarding such issues, and finally investigate the factors based on which a succession planning model could be developed to meet the needs of all SMEs.

Second, a survey could be conducted among family firms representing all types of industries, to address issues related to ownership succession, management succession planning and leadership development and examine the attitudes and suggestions of major stakeholders in family firms in relation to such issues, for the purpose of incorporating them in the succession planning process.

Third, the study was conducted with the use of a convenience sample, i.e. that representative data was collected by selecting people who were happy to volunteer, they were available and easily accessible. This might not constitute a representative sample of the whole population of Cypriot advertising agencies' owner-managers, of all non-family employees working in advertising agencies or of all advertisers in Cyprus. Thus, the behavioural intentions as well as the perceptions and attitudes regarding succession of the four major stakeholders participating in the sample might not express exactly the feelings and beliefs of the whole population of such stakeholders, although the small size of the local advertising industry may eliminate statistical error.

Fourth, the present study was not designed to explore cross-cultural comparisons and it would be interesting to indicate similarities as well as differences in the perceptions and attitudes

towards succession of major stakeholders in EU advertising agencies. Therefore, a study could be designed to examine whether in today's global environment management practices reflect cultural homogenisation, meaning that different organisational and management cultures are blended into one, or whether cultural diversity exists among European countries and local cultural particularities dominate in organisations in each country.

Fifth, this study was limited to the examination of succession-related issues in Greek-Cypriot advertising agencies. Therefore, a bi-communal research project could be undertaken in order to explore to what extent Greek and Turkish Cypriot stakeholders in advertising agencies share the same views as far as succession is concerned. In the context of the wider research on these two communities in Cyprus, such a study would enrich extant information on cultural diversities or similarities in the field of organisational culture in Greek and Turkish Cypriot advertising agencies and in particular in relation to succession issues. It would also pave the way for dialogue in search of a common area of cooperation.

Sixth, research could be conducted in order to investigate the psychological dimension of the non-family employees' perception of their out-group status, the repercussions of this status on their personality and therefore on their personal and professional relations and on social interactions as well. Indeed, since this study's findings illustrate non-family employees' perception as being an out-group in the context of a family firm, of not belonging in the family pattern and thus experiencing feelings of unfair treatment, the emotional responses to such perceptions may lead non-family employees, at least on a subconscious level, to underestimate their personal and professional qualities and perceive themselves as an out-group in all their social, professional and personal interactions.

Finally, as this study examines the behavioural intentions of non-family employees to stay or leave their workplace as driven by succession issues and also owner-managers' behavioural intentions to retain or relinquish power to non-family employees, further research could focus on the actual behaviour of such stakeholders in family firms. Specifically, a study could

investigate the existence of a link between intentions and actions, namely whether actions match intentions, and in case of a gap between intentional and actual behaviour further research could examine the reasons behind any behavioural change.

## CHAPTER 9

### REFLECTION

‘Ithaca gave to you the beautiful journey; without her you’d not have set upon the road’.

Although in his poem Ithaca, written in 1910, the Greek poet Constantine Cavafy uses the familiar story of the Odyssey as a metaphor for the journey of life, the particular quote above could be perfectly used as a metaphor for the journey of knowledge, since the actual objective of both journeys lies in making the voyage itself, facing and overcoming difficulties and gaining knowledge and experiences.

Indeed, the process of making personal considerations and research choices in a specialised field of interest and work experience, as well as of researching, writing and completing this work-based project was a wonderful journey of cumulatively growing knowledge that opened new horizons in terms of critical thinking and intellectual stimulation since it geared the researcher towards exploring new areas of learning, related to both academic and work-based research.

Researching and developing this study built on the learning and experience gained throughout the process of completing module DPS4561, which constituted a synthesis of the main components on which this study’s research development was based on, identified research directions and indicated how this research project would be investigated on the course of research. What emerged from DPS 4561, was a constructive contextualisation of this research project with respect to learning and research capabilities, and a validation of the topic that the researcher chose to investigate as well as of the context of the project, its aims and of the relevant methodology that would enable the researcher to reach the set aims. In turn, while on fieldwork, undertaking work-based research, applying the best methods and techniques for doing this effectively and sensitively and maintaining best practice in respect of ethical issues

that might have arisen throughout research was an exciting road of engagement and development of new knowledge that enhanced understanding of the business world and academic research as well. As Benjamin Franklin said on knowledge ‘Tell me and I forgot, teach me and I may remember, involve me and I learn’.

Moreover, being an insider researcher-practitioner, the researcher’s dual role added to her research. Being a member of the community under study was very beneficial indeed as it afforded access, entry and a common ground from which to begin the research. It also provided a level of trust and openness among the participants in the research that would probably not have been present otherwise.

Although the researcher was surrounded by people outside the academic world who were often astonished to discover that a mature professional could spend 3 years studying and therefore adjusting to a new lifestyle in addition to the stress of working in a demanding field like advertising – and indeed, many sacrifices were made on a personal level and time management strategies were implemented – through the process of this study, the researcher learned what she might never have through her personal and professional experience. Thus, as the contemporary author C. JoyBell C. says ‘I am growing, learning, changing. I am never the same person twice. But one thing you can be sure of about me; is I always do exactly what I want to do’.

Finally, along the way, self-reflection, exploration of new areas of knowledge, as well as the challenge and motivation of observing how this DProf project was unfolding, contributed to the enhancement of the researcher’s personal and professional confidence and respect, and consolidated the will and ambition to consider potential professional prospects in the field of education.

## **APPENDIX**

### **Qualitative Telephone Survey – The context of small and medium-sized family firms in Cyprus**

#### **Collection of data**

The study was conducted through telephone interviews from CYMAR's call centre using specialised CATI software (Converso Enterprise). The draft questionnaire was provided by the researcher and CYMAR undertook scripting to bring it into a functional format for CATI.

#### **Selection of sample**

The sample was drawn at random from a comprehensive database of establishments. The sampling frame used for this project was the 2011 Registry of Companies of the Statistical Service of the Republic of Cyprus.

From the population of eligible establishments in Cyprus (NACE Codes: B-O, P-S) an initial sample of 750 companies was selected at random to create a sampling base. The number of companies in the sampling base was five times larger than the required sample (N=150), because according to previous research experience in telephone surveys with companies, the response rate is around 30% as people either hesitate to participate in research or have no free time. Moreover, for this particular survey, eligibility for participation was limited to family businesses, which meant that a significant number of companies in the sampling base would be dropped because they would not be eligible.

Within each NACE code the selection of the companies was done randomly with the use of random numbers, and each company in the population had a known and equal probability of selection (Schutt, 2004). The distribution of companies in the sampling base across NACE codes was in line with the actual distribution of the population.

The sampling base was integrated with the questionnaire on the platform used for the telephone interviews (Converso Enterprise). The companies called and asked to participate in the survey were chosen at random by the platform, which took into account the desirable sample structure by NACE code in terms of type of business (family or not) and in terms of the title of the participant (candidates should be Managing Directors/General Managers). The survey included the following industries: Retail/Wholesale trade (46,2%); Industry/Construction (28,8%); Services/Education (25,0%).

Screening questions were used in the beginning of each interview to assess eligibility for participation. In the event that a company was not eligible for the survey (not a family business) it was removed from the sampling base. In the event that the eligible respondent (Managing Directors/General Managers) was not available at the time of the first call or there was no response during the initial contact, the platform scheduled a call-back. In total, a minimum of 6 unsuccessful contact attempts needed to be made with a company chosen in the sample, before it was dropped from the sampling base.

Fieldwork was conducted between the 1st and 18<sup>th</sup> of December 2012, at a time when the domino effect of the 2008-2012 global financial recession had an impact on the Cyprus market and led to a reconsideration of established business practices and priorities.

### **Data analysis**

Data was analysed on SPSS 20, a software package which is among the most widely used programmes for statistical analysis in social science.

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